FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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European steel quotas: how the roles were reversed, Page 18

World news

Reagan emissary warns Marcos

President Ronald Reagan has sent Republican senator Paul Laxalt of Nevada on a mission to warn President Ferdinand Marcos of the Philippines that his regime is in military and economic danger.

U.S. intelligence assessments indicate that the Philippines, with its two vital U.S. military bases could become "this administration's Iran" unless President Marcos introduces reforms.

U.S. officials warn that he must shake up the military, crack down on corruption, introduce economic reforms and develop a "clean and open" electoral system. Page 5

Diplomat shot dead

A Chilean diplomat was shot dead in Panama City by a Panamanian embassy guard, who seriously injured another diplomat, and then tried to kill himself.

Turkey sacks 50

Fifty members of the Turkish security forces have been dismissed for ill-treating detainees, said Interior Minister Yildirim Akbulut.

Belgium bomb

A bomb exploded near Mons, Belgium, site of Nato's military headquarters. It was the country's fourth bomb blast in less than a week. There were no casualties

Tunis asylum

Twenty-one youths, who fled the Moroccan-administered Western Sahara and sought political asylum in Spain were flown to Tunis.

Poet to hang

Black South African poet Benjamin Moloise will hang on Friday after President P. W. Botha rejected his appeal against a murder conviction, his lawyer said. Page 4

Strike hits Ireland

Ireland was hit by its first public services workers' strike, which closed airports, schools and courts and brought government business to a virtual standstill. Page 2

Greek land plan

Huge tracts of land controlled by monasteries could be taken over by the Greek state and given to landless farmers under a published draft law.

Afghan deaths

Soviet forces accidentally killed about 30 Afghan soldiers and several civilians with unidentified fumes, according to Western diplomats. Soviet jet fighters released the fumes near a military post south of Kabul.

U.S. helicopter crash

A U.S. Marine helicopter carrying 19 troops and crew crashed into the Atlantic off the North Carolina coast. Officials said there were four survivors.

Rome arrests

Two men carrying Moroccan passports were arrested in Rome after airport Customs officers found 9 kg of explosives in a suitcase.

Rebels 'defeated'

The U.S.-backed guerrillas fighting in Nicaragua have been "strategically defeated," according to Nicaragua's Vice-Defence Minister Commander Joaquin Cuadra. Page 5

Two seek refuge

Two Soviet defectors who claim to be sailors have sought political asylum in Sweden after staging a three-week trek across northern Scandinavia.

Kasparov takes lead

Challenger Garry Kasparov won game 16 of his world chess title rematch against champion Anatoly Karpov to lead 8½–7½ with eight games remaining.

Business summary

Chicago Pacific bids for Hoover

HOOVER, U.S. vacuum cleaner manufacturer, became a takeover target for Chicago Pacific, a cash shell resulting from the reorganisation a year ago of the Chicago, Rock Island and Pacific Railroad. Hoover rejected the $40 a share bid, which values it at $496m, but indicated it might be open to a suitable offer. Page 20

WALL STREET: The Dow Jones industrial average closed 3.92 down at 1350.81. Page 46

TOKYO: A new peak was reached for the first time in three months as blue chips attracted heavy buying orders. The Nikkei-Dow market average closed 38.23 up at 13,055.52. Page 46

LONDON: Interest switched to speculative issues pulling leading equities down from Monday's peaks. The FT Ordinary index closed 4.9 down at 1,023.9. The FTSE 100 index was 0.3 lower at 1,320.9. Page 46

DOLLAR was generally firmer in London, rising to SwFr 2.1835 (SwFr 2.181), FFr 8.115 (FFr 8.11) and Y215.5 (Y215.4). It was unchanged at DM 2.6815. On Bank of England figures, the dollar's exchange rate index rose to 131.4 from 131.2. Page 39

STERLING lost 5 points against the dollar in London to $1.413. It also fell to DM 3.76 (DM 3.7625), was unchanged at FFr 11.465 and Y304.5 and improved to SwFr 3.085 (SwFr 3.0825). The pound's exchange rate index rose to 80.3 from 80.2. Page 39

GOLD In New York the Comex December settlement was $329.2. Gold rose $0.25 on the London bullion market to $327.25 and was also firmer in Zurich at $327.35. Page 38

INDIA has reached "substantial understanding" with Britain over the purchase of £250m worth of helicopters and fighter aircraft. Page 7

JAPANESE Ministry of Finance said Morgan Guaranty and Bankers Trust of the U.S. would be the first two foreign institutions to gain access to the country's lucrative market for corporate pension fund management. Page 22

NORWAY started gas deliveries to continental Europe through the 850 km Statpipe system. Page 3

EGYPT is asking the IMF for a $1.5bn standby facility to help tackle balance of payments problems. Page 20

ISRAELI prices rose by 3 per cent in September, the lowest monthly increase for more than four years, bringing the annual inflation rate down to 312.9 per cent. This compared with more than 400 per cent earlier this year.

NATIONAL, Canada's sixth largest bank has made an offer for Mercantile, the troubled Montreal-based group. Page 21

JAPANESE securities houses will be allowed deposit-taking licences in London if they can guarantee the Bank of England has access to certain officials in supervisory positions in Japan. Page 22

WARTSILA, Finnish shipbuilding group, expects net earnings to fall 45 per cent this year and warns that it will have to lay off workers in the near future. Page 21

CITICORP, biggest U.S. banking group, increased third-quarter net earnings 14 per cent to $227m. J. P. Morgan and Security Pacific banking groups also improved, by 73.9 and 12.3 per cent respectively. Page 21

HONDA Motor of Japan said its 42.1 per cent increase in first-half profits to Y82.49bn ($383m) was attributable mainly to higher sales volume. Page 22

PEPSICO of the U.S. lifted third-quarter income by 21 per cent to $135m and claimed progress in its fight to overtake soft drink market leader Coca-Cola. Page 21

SUN, U.S. oil company, launched a $100m five-year deal regarded as "almost generous" on the Eurodollar bond market. Page 21

Allies urge U.S. to take positive line on arms control

BY QUENTIN PEEL IN BRUSSELS

EUROPEAN foreign ministers yesterday urged the U.S. to produce positive counter-proposals on arms control to respond to the Soviet initiative for a 50 per cent reduction in nuclear weapons' delivery systems.

They also endorsed the strong caution of Washington towards the fine print of the Soviet proposals tabled in Geneva, while welcoming the apparent shift in the Soviet attitude towards a radical reduction in strategic arsenals.

European attitudes towards the arms control talks in Geneva, and the forthcoming summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, were spelt out at an emergency meeting of Nato ministers in Brussels, attended by Mr George Shultz, the U.S. Secretary of State.

The ministers also welcomed an assurance by Mr Shultz that the U.S. would observe the strictest interpretation of the 1982 anti-ballistic missile (ABM) treaty in limiting its Strategic Defence Initiative (SDI) to research.

Mr Shultz sought to allay European fears that the SDI programme could involve testing of space-based defence systems, he insisted that any move beyond the research phase would only come after consultation with Nato allies and negotiation with the Soviet Union.

The meeting of the Nato members, summoned at the request of Belgium and the Netherlands because of their irritation at being excluded from President Reagan's planned Western summit meeting on October 24 in New York, produced general agreement on the need for a cautious response to the Soviet arms initiative.

Several of the European ministers none the less urged that the U.S. should produce counter-proposals, incorporating the most positive aspects of the Soviet plan, in order to retain the initiative in the talks.

Herr Hans-Dietrich Genscher, the West German Foreign Minister, declared that the Soviet proposals "make negotiations of substance possible." He said the allies "should offer options to the Soviets which are an incentive for them to produce a constructive reaction on the arms control question."

Mr Leo Tindemans, the Belgian Foreign Minister, said the Soviet proposals amounted to a change in form rather than substance – but Moscow appeared to have abandoned its former preconditions to substantive negotiations.

Mr Tindemans said the Soviet Union appeared to have accepted the idea of radical reductions in nuclear arsenals, as put forward by the U.S. for years, and to have softened its stance towards the installation of U.S. intermediate-range missiles in Europe.

Mr Hans van den Broek, the Dutch Foreign Minister, told his colleagues that, barring a dramatic change in the Soviet deployment of SS-20 missiles, he expected the Dutch Cabinet to give the go-ahead for installation of cruise missiles in the Netherlands on November 1.

Mr Shultz said that the Soviet proposals now matched the "sweeping" U.S. proposals presented in the first round of talks.

"We welcome the Soviet counter-proposal and we have been asking questions about it," he declared. "There are things in there that are not acceptable. There are interesting things in it, too."

He added: "Assuming the Soviet proposal is put there as part of the negotiation, perhaps we can say

Continued on Page 20

Gorbachev spells out economic plan, Page 3

PLO man 'demanded changes in joint UK statement'

By Our Foreign and Political Staff

MR Mohammed Milhem emerged yesterday as the Palestine Liberation Organisation representative who prompted the late cancellation on Monday of a controversial meeting with Sir Geoffrey Howe, Britain's Foreign secretary, by making last-minute demands for changes in a proposed joint communique.

King Hussein of Jordan held Mr Milhem responsible in a UK television interview last night. Earlier, Mr Milhem had admitted that he sought changes in a draft which had been negotiated in Amman by the British Ambassador to Jordan and the Jordanian Foreign Minister.

King Hussein said last night that some of the draft had been previously agreed with Mrs Margaret Thatcher, the British Prime Minister, after she issued her invitation to talks to a joint Jordanian-Palestinian delegation during a visit to Jordan last month.

The Jordanian members of the delegation, with Bishop Elias Khoury, the other PLO representative, had arrived in London at the weekend "with clear instructions." It was nobody's fault, said the King, if one member of the delegation was involved in a "misunderstanding."

The British Government had acted very honourably and the whole affair had been "very regrettable." It was "ridiculous" to suggest that the cancellation of the talks was due to U.S. pressure on Britain, said the King.

Mr Milhem confirmed in a radio interview yesterday that he had not been in Amman when the statement was drafted, and when confronted with the draft communique he found that it contained "a definition of the borders of the state of Israel which neither exists in the Jordanian Palestinian accord, nor in the invitation of Mrs Thatcher."

The draft referred to "the right to secure existence of all the states in the area including Israel within its 1967 borders."

When amendments were submitted to the Foreign Office, "We were faced by the insistence that the original copy agreed upon in Amman should remain as it was," Mr Milhem told the BBC World Service.

In a statement to the House of Lords, Lady Young said that the UK Government had received "unambiguous assurances" that the two Palestinians – both members of the

Continued on Page 20

Italian coalition in trouble, Page 2; Arabs reassess air defence, Page 3

Japan acts to head off U.S. trade threats

BY JUREK MARTIN IN TOKYO

JAPAN yesterday announced a series of economic policy measures intended to expand domestic demand significantly over the next 12 months and beyond.

The package entails additional expenditures of Y3.1 trillion (million million) ($14.4bn) in the coming year, Y1.8tr by the public sector and Y1.3tr privately.

The Government estimates that this will produce an expansion of gross national product (GNP) of Y4.1tr over the next year, equivalent to 1.3 per cent of the projected GNP for the current fiscal year.

The measures were adopted to honour Japan's commitment to boost domestic demand and thus help to reduce trade friction. Mr Yasuhiro Nakasone, the Prime Minister, leaves for the U.S. at the weekend with the hope that the package will forestall some of the protectionist threats now rampant in the U.S. Congress.

The programme leans heavily on tried and trusted Japanese mechanisms for boosting the economy, such as bringing forward planned public works spending. It contains no specific assistance for importers on the grounds that these were covered by the three-year "import action" programme unveiled in the summer.

The Economic Planning Agency estimated, however, that the package could boost imports by as much as $2bn in the next year, though it offered no statistical or empirical evidence to back this assertion.

The Y3.1tr package breaks down as follows:

- Y900bn for private sector housing development and urban redevelopment. Of this, Y500bn is to go to financing the construction of an extra 20,000 housing units by the Housing Lian Corporation (a para-governmental body) beyond the 490,000 units already budgeted. The corporation will also offer slightly lower interest rates to investors. A further Y400bn is earmarked for private construction on state-owned lands.
- Y800bn for additional public works by local governments, to be financed through local bond issues. The laws limiting local government borrowing on foreign markets are being relaxed.
- Y1.02tr in advanced public works, comprised of Y450bn in public works borrowed, in effect, from next year's budget, Y500bn for dis-

Continued on Page 20

Details, Page 4; Editorial comment, Page 18; Market report, Page 46

Rival regulatory body 'threat to London SE'

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

LONDON Stock Exchange council members were warned yesterday that a plan by international securities dealers to regulate their own affairs could endanger centralised securities trading.

At a meeting of the 52-strong ruling council yesterday Mr Richard Lawson, deputy chairman, presented a study on the implications of a move by the Association of International Bond Dealers (AIBD) and the International Primary Market Association (IPMA) to set up their own regulatory body.

The study, carried out by stock exchange officials, raised numerous fears about the move. The exchange feels it could cause the loss of its dominant position dealing in first line equities.

The study was presented ahead of a crucial meeting today of international securities dealers. They are considering further action in efforts to establish their own regulatory body, intended to be a part of a remodelled supervisory structure for London's financial community.

So far the stock exchange and the international securities dealers have failed to reach agreement. The dealers' plan is likely to become a most sensitive issue.

The Association of International Bond Dealers and International Primary Market Association, which represents the 45 main issuing houses in the Eurobond market, have formed a joint ad-hoc committee on setting up the proposed self-regulatory organisation. The mooted organisation has provisionally been labelled the International Securities Regulatory Organisation.

Such an organisation would seek recognition from the Securities and Investments Board (SIB), the British financial community's main regulatory body, to supervise its members' affairs. The stock exchange is concerned that the body would attract dealers in securities who might otherwise become members of the exchange.

The stock exchange itself intends to become a recognised self-regulatory organisation in the new system for the City of London.

The exchange is also alarmed that the proposed body will want to supervise Eurobond trading as well as the whole range of international securities.

The two Eurobond associations formulating the plan argue that there is no practical alternative. Members of the two groups have been told that "a special category membership" of the stock exchange was investigated but found to be "bristling with disadvantages."

The international securities dealers have also ruled out the possibility of becoming members of the National Association of Securities Dealers and Investment Managers, which also wants to become a self-regulatory organisation.

"Neither of these bodies would cater adequately for those whose main business was international securities traded across borders on a professional basis," the AIBD has told its members.

The London exchange is also worried about SIB support for the mooted regulatory body for the international securities market. The SIB has indicated that it might be willing to designate the AIBD as an "overseas exchange."

Members registered with a self-regulatory organisation who did their business in the context of the

Continued on Page 20

Editorial comment, Page 18

Italian wins Nobel prize for economics

BY KEVIN DONE IN STOCKHOLM

THE 1985 Nobel Memorial Prize for economics has been awarded to Italian-born Professor Franco Modigliani of Massachusetts Institute of Technology in the U.S. for his pioneering analyses of saving and of financial markets.

Prof Assar Lindbeck, professor of international economics at Stockholm University and chairman of the prize committee, said that Professor Modigliani had been largely responsible for establishing corporate finance as a new field of study.

Prof Modigliani, 67, who was born in Rome and took his first degree in law at Rome University, directed his research primarily towards household saving and the functioning of financial markets.

His biggest achievements have been the construction and development of the life-cycle hypothesis of household saving – that people save for their old age – and the formulation of the Modigliani-Miller theorems of the valuation of companies and of capital costs.

The life-cycle hypothesis, which concerns household savings decisions, has been used as a theoretical basis for many empirical investigations and in particular has proved an ideal tool for analyses of the effects of different pension systems.

The Royal Swedish Academy of Sciences, which awards the economics prize, said that Prof Modigliani's achievement lay in the development of the idea into a formal model, which he had integrated within a well-defined and established economic theory.

The life-cycle model had had a great impact on the development of later theoretical and empirical research and was today the basis for most dynamic models used for studies of consumption and saving, said the academy.

Profile, Page 2

AEG shares surge DM 44 above Daimler-Benz takeover price

BY OUR FRANKFURT CORRESPONDENT

SHARES in AEG, the West German electricals concern, soared on the Frankfurt bourse yesterday as Daimler-Benz, the vehicle manufacturer, formally notified the federal cartel office of its plan to take a majority stake.

AEG's shares put on DM 49 ($18.40) to close at DM 214, DM 44 above Daimler's offer price. This compares with a low for this year of DM 100, and an historic low of DM 23 in 1982 when AEG had to seek court protection from its creditors.

Daimler has argued that its DM 170 offer price is 20 per cent higher than the average price over the last three months. Daimler has also noted that AEG has stressed it will pay no dividend in the near future, ploughing all its earnings back into the company.

With the cash-rich Daimler-Benz now taking AEG under its wing, many of AEG's 140,000 individual shareholders may not be disposed to accept Daimler's DM 170 offer.

The cartel office has a maximum of four months to decide whether to approve the deal, which would create West Germany's biggest company with annual turnover of more than DM 60bn.

The size of the projected concern alone would not be a reason for the office to reject the scheme. But the authorities will be looking to see whether the link-up could give Daimler-AEG a "market dominant position" in one or more product sectors.

Cartel experts said that on the face of it, the danger to the Daimler-AEG deal was small, as there seemed to be little overlap between the product spectrum of the two

It was not excluded that detailed scrutiny of the case in coming months might reveal cases of potential market dominance so far unsuspected. The two companies would then have to agree to sell off the product groups concerned, to win cartel office assent to the takeover.

Daimler still seems set to obtain its goal of a majority. It already has 24.9 per cent of AEG's newly increased capital and appears to have reached an understanding with Daimler's biggest shareholders, the banks.

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Angry Spadolini puts coalition in jeopardy

BY JAMES BUXTON IN ROME

THE FUTURE of the Italian Government was still in doubt yesterday as Sig Giovanni Spadolini, Minister of Defence, showed no sign of moderating his opposition to Sig Bettino Craxi, the Prime Minister, over his decision to allow Mohammed Abu Abbas, the Palestinian leader, to leave the country.

Sig Spadolini and the Republican Party which he leads are furious at the way Abu Abbas was smuggled out of Italy on Saturday evening after he arrived involuntarily aboard an Egyptair aircraft diverted to Sicily by pets from the U.S. Navy. The Italian Government's action brought a strong protest from the U.S. Government.

On Monday night, Sig Spadolini refused to attend an inner cabinet meeting which reviewed the weekend's events, and his party has declared that it will not support the Government's decision on the Abbas affair in a parliamentary debate on Thursday.

Sig Spadolini objects to the fact that not only were Italian magistrates unable to interrogate Abu Abbas as a witness in the hijacking of the liner Achille Lauro, but that the decision to release him was taken without consulting the cabinet.

The Defence Minister has not resigned, however, and is leaving it to Sig Craxi to decide how to deal with the matter. But to Sig Spadolini's chagrin, Sig Craxi went ahead with the inner cabinet meeting on Monday night in the absence of one of the most senior ministers in the Government, and a former Prime Minister. Last night, bowevxer, Sig Craxi invited Sig Spadolini for talks resolving the crisis.

At that meeting, Sig Craxi revealed that Abu Abbas, leader of the Palestine Liberation Front, at no time left the Egyptian aircraft while it was on Italian soil until he was hurried on to a Yugoslav airliner bound for Belgrade on Saturday evening.

Since the Egyptian airliner was on a government mission it had diplomatic immunity, Sig Craxi said, and Abu Abbas carried an Iraqi diplomatic passport. This appeared to explain why Italian magistrates did not speak to him.

The other four parties in Sig Craxi's coalition, the Christian Democrates, Socialists, Social Democrats and Liberals, are all against the idea of the government falling at this point.

However, unless Sig Craxi makes a conciliatory move, or unless the Republican Party—last night again considering its position—backs down, the Government's survival will be in jeopardy.

Quentin Peel adds from Brussels: Sig Giulio Andreotti, the Italian Foreign Minister, yesterday vigorously defended his government's decision to allow Abu Abbas to leave the country after the U.S. had requested his extradition.

In bilateral talks with Mr George Shultz, the U.S. Secretary of State, Sig Andreotti made no secret of his anger at U.S. criticism over the affair.

He also described it as "an enormous mistake" to have allowed the Egyptair airliner carrying the hijackers, Abu Abbas and Egyptian officials, to land at a Nato base in Sicily, and not at an Italian civil airport.

Union ends occupation of Renault car plant

By Paul Betts in Paris

FRANCE'S Communist - led CGT union yesterday ended its week-long occupation of the large Renault car parts and tractor plant at Le Mans. This decision, which represents a significant climbdown, was announced in Paris only hours after the company asked the police to clear the factory, by force, if necessary.

Renault had won a court order on Monday against the occupation, and all-night talks had failed to end the strike.

The company's output in France has been seriously affected because the plant supplies axles for all Renault cars. Only the Cleon engine factory was working yesterday.

However, the CGT is continuing to block the large Renault plant at Billancourt in Paris, although it agreed yesterday to end the occupation of the Choisy parts plant.

The union's decision is in many respects an admission of its failure to provoke a major strike.

It also reflects the waning power of the unions in France and a marked change in workers' attitudes. It also comes at a time when the communist party has been steadily losing electoral appeal.

Although the CGT had managed to gather support among its militants at Le Mans and Billancourt — two of its traditional strongholds in French industry — it failed to spread the strike at other Renault plants.

But even at Le Mans and Billancourt, the majority of workers appeared to be against a serious confrontation over pay, and at the former the union was coming under pressure.

Anatole Kaletsky profiles the winner of this year's Nobel Prize for economics

A theorist concerned with the practical

PROFESSOR Franco Modigliani, the winner of this year's Nobel Prize for Economics, is an economists' economist. He is a member of a small, and dwindling breed, who can command genuine respect in every faction of this notoriously fractious and increasingly politicised profession.

In choosing Prof Modigliani, who was born in Rome but is an American citizen and has taught at the Massachusetts Institute of Technology since 1962, the Swedish Academy of Sciences have taken a further step to re-establish the Nobel Prize in economics, after a number of highly controversial awards, as a universally recognised badge of intellectual achievement.

He is primarily a theoretician, but has devoted most of his life to concrete, practical problems. He is an unabashed Keynesian, but is sufficiently admired by monetarists to have earned an honorary doctorate from Chicago.

His Nobel citation dwells on his micro-economic research into the theory of capital markets and consumer behaviour; yet he played a central role in establishing one of the first major macro-models of the U.S. economy for the Federal Reserve Board.

As Mr Andrew Britton, Director of the National Institute in London, put it yesterday: "This is a prize that will be welcomed by most economists. He would be cited by monetarists as much as Keynesians. He may be a theorist, but he has always been interested in predicting economic fluctuations from year to year."

The 67-year-old Prof Modigliani's work has made an impact even on the stock market. The Modigliani-Miller theorems about capital investment decisions and market valuation of companies.

Professor Modigliani: an economist's economist

Strictly speaking, these theorems, which establish conditions under which companies are indifferent between equity and debt financing, apply only under the most unlikely circumstances — "a perfect capital market, no taxes, no transactions costs and full information about the pay-offs to investment in each possible state of nature," to quote one leading economics text book.

But this has not prevented Prof Modigliani's name from being bandied around by the esoteric band of Wall Street analysts who specialise in "portfolio theory" as an approach to the investment of funds.

For most students of economics, however, Prof Modigliani's most important contribution has been as a participant in the policy debates which raged in the 1970s between the monetarists, with their obsession with controlling the money supply and the unreconstructed Keynesians, who sometimes claimed that "money doesn't matter" at all.

Prof Modigliani, along with two other Nobel laureates, James Tobin of Yale and James Meade of Cambridge, acted as a sort of mediator between the extremists in both camps. As a Keynesian who always believed that money mattered a great deal, he foreshadowed the synthesis of monetarism and Keynesian economics which is gradually gaining ground in governments throughout the world, after the painful experience of the past decade.

His view in this debate was that fiscal and monetary policy could both have a major impact on aggregate demand, although in recent years he has tended to lean somewhat further towards the Keynesian emphasis on fiscal policy. This is partly in reaction to the simple-minded monetarism preached by conservative politicians in Europe and the U.S.

His Nobel prize will add further impetus to the swing back towards a moderate form of Keynesianism which has been gaining momentum in the economics profession, particularly in the U.S.

Prof Modigliani is already no stranger to political debates, as an occasional adviser to Italian governments, as a consultant to the Federal Reserve Board and as a witness before Congressional committees in Washington. But his periodic calls for cuts in the U.S. budget deficit, to be accompanied by moves towards fiscal expansion in Europe, are likely to gain more political credibility and attention as a result of yesterday's award.

It is perhaps characteristic of the Nobel economics committee's continuing feelings of embarrassed discomfort about the relationship between economics and the real world, that they made no reference in their citation to this element of Prof Modigliani's work.

Greece wants to delay the introduction of VAT

BY OUR ATHENS CORRESPONDENT

GREECE HAS asked the European Commission for a one-year extension on three key deadline concerning adjustment to Community membership: on the introduction of value added tax; the de-regulation of the petroleum market; and the granting of export subsidies to Greek products.

The VAT postponement would be the second which Greece has obtained since its accession to the EEC in 1981. Originally, Athens should have introduced VAT by January 1984, but it requested and won a delay for "technical reasons."

On the petroleum front, Greece has been facing a case in the European Court for having failed to begin dismantling the state monopoly.

The Community recently ruled against subsidies which the Greek state grants to exports. But Athens has always argued that these are not actual subsidies but tax refunds which do not contravene EEC regulations.

Athens reviews public sector

BY ANDRIANA IERODIACONOU IN ATHENS

THE GREEK Socialist Government, which announced an economic austerity package including a 15 per cent devaluation of the drachma last Friday, turned its attention yesterday to a controversial state rescue programme for ailing industrial enterprises which have heavy debts.

The Government discussed future strategy on ailing enterprises with industrialists and trade union representatives during a closed meeting of the Higher Economic Policy Council. The recently established council is a mixed forum for economic debate chaired by Prime Minister Andreas Papandreou.

A government announcement on decisions taken after the meeting was expected late last night.

The Economy Ministry has been under pressure from industrialists to allow the closure of ailing enterprises taken over by the state under the rescue programme. Critics say the enterprises are operating as subsidised competition and are driving companies out of business. They accuse the Government of awarding public porcurement contracts on a preferential basis. Trade unions, however, want the Government to keep the companies open to save jobs.

The Socialists launched the rescue programme, involving initially a state takeover of ailing companies and a freezing of their debts, in 1983, with the aim of keeping unemployment down. According to official figures, generally regarded as unrealistically low, the unemployment level is 8.4 per cent nationwide.

At the last official count, the Government had 34 ailing companies on its hands with debts of Dr 136bn (£618m), of which Dr 25bn are owed in foreign exchange.

The Socialists' long-term plan was to assess each particular enterprise for viability, following which non-competitive companies would be closed. Viable companies would continue operating after a settlement of their debt problems, involving debt rescheduling and the conversion of debt to equity.

● The Bank of Greece has increased the base lending rate to 16 per cent, 1 percentage point higher than the interest rate on savings deposits in commercial banks.

The increase will mainly affect farmers and owners of small handicraft and industrial enterprises who have been borrowing at rates of 13 per cent and 14 per cent respectively.

Strike severs Irish links

BY OUR DUBLIN CORRESPONDENT

AIR AND SEA links to the Irish Republic were cut yesterday as public sector workers staged a 24-hour strike over government pay policy. Unions claimed that 150,000 workers, more than 80 per cent of the total, took part.

Schools, colleges and government offices were closed and there were no cross channel ferries or flights from local airports.

Teachers, whose 10 per cent arbitration award is a central part of the dispute between the government and the public sector unions, marched through the centre of Dublin.

The strike was roundly condemned by Dr Garret FitzGerald, the Prime Minister. He said that, when it was over, a settlement would have to be worked out within the constraints of the exchequer's financial position.

However, an economist who helped draw up the government's three year economic plan, Dr Brendan Walsh, said the Government had been humiliated by making further concessions which were rejected before it knew how successful the strike would be.

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Soviet leader spells out five-year plan

BY PATRICK COCKBURN IN MOSCOW

THE CENTRAL committee of the Soviet Communist Party met yesterday to hear details for the first time of the next five-year plan and the party's new political programme, both of which are to be published in the near future.

The draft of the plan, heavily revised since it was rejected by the ruling politburo earlier this year, will determine the direction of the economy for the years 1986-90.

Mr Mikhail Gorbachev, the new Soviet leader, who addressed yesterday's meeting, is committed to 4 per cent growth. The figure, he says, is necessary to meet the needs of investment, consumption and defence.

Mr Gorbachev: aiming for 4 per cent growth

In his speech Mr Gorbachev stressed that the new communist party programme, the first since Mr Nikita Krushchev was leader, took account of a much higher level of international tension.

All the increase in national income in the next five-year plan would come for the first time from raising labour productivity, he said.

The meeting of the 300-strong central committee, membership of which is drawn from the top party, state and military functionaries, also reinforces the position of the new generation of economic administrators whom Mr Gorbachev has promoted since he came to power six months ago.

The central committee elected as a non-voting member of the politburo Mr Nikolai Talyzin (56), appointed head of the state planning organisation, Gosplan, on Monday. He succeeded Mr Nikolai Baibakov (74) who has held the job since 1965

The speedy elevation of Mr Talyzin indicates that in future Gosplan will play a greater role in determining economic strategy and priorities in the allocation of resources and investment. A theme of Press comment in recent months has been the need to centralise economic decision-making, away from the 60 ministries, but at the same time delegate some managerial functions downwards

The central committee also formally accepted the resignation from the politburo of Mr Nikolai Tikhonov (81), who resigned as Prime Minister for health reasons at the end of last month. Half of the 12 full members of the politburo have now been appointed within the past two years.

Mr Nikolai Ryzhkov (54), who took over as Prime Minister, gives up as expected his position as central committee secretary in charge of the economy. His replacement has not been named.

The adoption of a new programme by a commission chaired by Mr Gorbachev, the economic plan for 1986-90 and guidelines up to the end of the century, and changes in party rules will enable the new generation of Soviet leaders to map out the political and economic course they intend to pursue.

The shape of the next five-year plan is unclear apart from the commitment to high growth rates. Mr Gorbachev has said that the emphasis must be on higher productivity, better technology and the re-equipment and re-organisation of existing plant. The emphasis is away from expensive new projects.

The continued employment of old planning procedures, despite Mr Gorbachev's rhetoric, was demonstrated last week when a programme to increase production in light industry by 3 per cent a year, and services by 7 per cent was published. Despite mentioning demand as an important factor in the provision of goods to the consumer, the programme laid down the exact number of different types of clothing to be produced by the end of the century.

East-West search for culture ties

By Leslie Colitt in Berlin

The first large conference to promote cultural exchange between Eastern and Western Europe opened yesterday in Budapest under the auspices of the 35 signatory states to the 1975 Helsinki Accords.

Mr Georgy Lazar, the Hungarian Prime Minister, said at the opening that despite the differing ideological and political views which would be presented at the conference, his government saw the possibility of a consensus which would help "strengthen the forces of detente."

Western delegations were preparing to suggest several co-ordinated proposals to improve cultural contacts.

The West Germans want every Helsinki signatory state to be allowed to open a cultural institute in any other.

Electronic media

Other Western delgations will propose exchanges of the printed and electronic media, a free exchange in the arts and literature and a protection of the cultural rights of minorities.

The East European delgations are expected to point out that far more Western book titles appear in Eastern Europe than vice versa, and that much the same is true of films.

Wide differences also exist within Eastern Europe, in the freedom of cultural expression, with Hungary the most liberal country which was one reason it was agreed to host the conference in Budapest.

Norway starts gas deliveries

By Fay Gjester in Oslo

NORWAY'S OFFSHORE petroleum industry entered a new era yesterday with the start of gas deliveries to continental Europe through the 850-kilometre Statpipe gas-gathering system.

The system will move gas from the Anglo-Norwegian Statfjord field and two other Norwegian fields in the southern part of the Norwegian shelf to Emden, in West Germany, under a contract scheduled to run until 2007.

Britain began exporting its much smaller share of Statfjord gas last week, via UK-sector pipelines to St Fergus in Scotland. Until then the field had exported only oil, which was directly loaded on to tankers. Its output of associated gas had been re-injected into the reservoir, pending completion of pipeline links to Europe and the UK.

The field contains an estimated 47bn cubic metres of recoverable gas, of which 40bn cubic metres belongs to Norway.

The start of Norwegian deliveries was delayed by difficulties on Ekofisk, where a faulty valve had to be replaced.

During an initial four-month period, the continental buying consortium is receiving a substantial discount on the reportedly high – but undisclosed – contract price negotiated five years ago for gas from Norway's part of Statfjord and two other Norwegian fields (Heimdal and Gullfaks).

Meanwhile experts from the Smedvig drilling company were yesterday examining the West Vanguard rig, crippled this month by a blow-out from a shallow gas pocket in the Halten Bank area, off central Norway.

Israeli bombing raid forces Arab states to reassess their defences

Middle East focus on air power

ISRAEL'S air strike on Palestine Liberation Organisation offices in Tunisia has focused attention on air power in the Middle East and efforts by Arab states to enhance their aerial combat capabilities, **Reuter reports from Bahrain.**

The raid on October 1, over 1,500 miles and apparently involving mid-air refuelling, was the deepest ever into Arab territory by the Israeli air force and showed that some Arab states were still vulnerable to surprise attack.

Western diplomats said the raid also showed most Arab countries were within striking distance of Israeli jets and would force some of them to reassess their air defences.

Air power has played a key role in the Arab-Israeli conflict. In the early hours of the June 1967 six-day war, Israeli aircraft destroyed, mainly on the ground, much of the air forces of Egypt, Jordan, Iraq and Syria.

Since this decisive blow, and spurred by Israel's 1981 raid on a nuclear reactor in Iraq and the destruction of more than 80 Syrian fighters in its 1982 invasion of Lebanon, Arab states have been among the world's biggest buyers of air weaponry.

Saudi Arabia last month signed a deal with Britain worth as much as \$5.7bn for 132 aircraft, while Jordan is seeking a \$1.9bn arms package, including 40 fighters, from the U.S.

Egyptian Defence Minister Mohammed Abdel-Halim Abu Ghazalu said recently that the total number of combat aircraft in the 18 Middle East states rose to 4,413 this year, from 2,377 in 1973.

Israel relies mainly on Washington for fighter aircraft, while Arab states, depending mainly on diplomatic alliances, generally buy aircraft and other air defence equipment from Britain, France, the Soviet Union and the U.S.

According to the London-based international Institute for Strategic Studies (IISS), Iraq, Libya, Egypt and Syria have the largest Arab air forces with 580, 535, 504 and 503 combat aircraft, respectively.

This compares with Israel's 550 or so combat aircraft, including 115 U.S.-supplied F-15 Eagle fighter-bombers and F-16 Falcon fighters, according to the IISS.

Despite the numerical imbalance, British defence analysts in London believe Israel still has considerable air superiority over all Arab countries, with a big lead in electronic warfare, radar-jamming techniques and pilot quality.

Irrespective of the numerical imbalance, British defence analysts believe Israel has considerable air superiority over all Arab countries, especially in electronic warfare and pilot quality. But Syria, at least, has an air force that has never been stronger, with 11 ground-attack and 12 interceptor squadrons.

Most Arab pilots are trained by supplier countries.

One analyst said that the ability of many Arab states to counter isolated threats seem to be improving, as witnessed by Saudi Arabia's success in shooting down in mid-1984 an intruding Iranian U.S.-made F-4 Phantom over the Gulf.

The analysts also pointed, however, to Syria's inability to protect its anti-aircraft batteries in Lebanon's Bekaa Valley during the 1982 Israeli invasion. One also said Syria had now learned not to throw its aircraft into a "no win" situation.

Iraq, at war with neighbouring Iran since September 1980, is equipped mainly with Soviet aircraft, including MiG-21s, 23s and 25s, and helicopter gunships.

It also took delivery this year of French Mirage F1s, which diplomats say were used in recent raids on Iran's oil export terminal at Kharg Island in the northern Gulf.

Western diplomats in the Middle East say that many of Libya's combat aircraft, including MiG-23s and 25s and Mirage F1s, are out of service for a variety of reasons, including problems with spare parts.

Soviet, Syrian, North Korean and Pakistani pilots are believed to fly Libyan jets, while expatriates form a large proportion of the technical staff, according to the IISS.

Egypt, which in 1979 became the only Arab state to sign a peace treaty with Israel, still flies large numbers of MiG-21s and the Chinese version, the F-7.

But since the late President Anwar Sadat switched superpower allegiance in the 1970s from Moscow to Washington, more Western aircraft are being bought.

Some Mirage 2000 fighters, part of a 1982 order for 40, are due for delivery to Egypt next year, while a further 40 U.S. F-16s are on order.

Western military experts in Damascus believe the Syrian air force has never been stronger. After losing many Soviet-made fighters to Israel in 1982, Syria launched a big arms build-up with emphasis on its ageing air force and land-based defences.

By last year it had received Soviet-made equipment worth an estimated \$4bn, including aircraft.

Western diplomats say the estimated 8,000 Soviet military advisers in Syria, which has at least 11 fighter and ground-attack squadrons and 12 interceptor squadrons, include flying instructors and maintenance men.

Jordan is trying to buy more aircraft to increase its five squadrons of more than 100 aircraft, which include F-4s, Mirages and British Hawker Hunters, diplomats say.

The U.S. Congress is considering Jordan's request for arms, including 40 F-16s or F-20s and anti-aircraft missiles.

Saudia Arabia has 203 combat aircraft, including 62 F-16s and four U.S. manned Airborne Warning and Control System (Awacs) planes, according to the IISS.

Aircraft it will receive under last month's deal with Britain include Tornado fighter-bombers, built jointly by Britain, Italy and West Germany. Diplomats say that up to now most Saudi pilots have been U.S. trained.

Among Saudi Arabia's partners in the Gulf Co-operation Council, which generally supports Iraq in the Gulf war, Oman has about 50 combat aircraft, including British-made Jaguars.

The sultanate, which the IISS says has some 3,700 foreign personnel includin- Britons and Pakistanis in its 21,500 strong armed forces, recently bought eight Tornados in a deal worth more than \$345m.

Kuwait has 56 combat planes, including Mirage F1s and U.S.-made A-4 Skyhawk fighter-bombers, diplomats in the country say.

The United Arab Emirates has two interceptor squadrons with 25 Mirage SADs, French Alpha jets and British Hawk trainers. Diplomats say the air force includes about 12 Pakistani pilots

FOCUS ON SOUTH AFRICAN COMMERCE AND INDUSTRY

Old Mutual — dynamic growth and leadership rôle in financial services business

Mike Levett, managing director of Old Mutual, talks to Richard Rolfe, London-based international editor of **Finance Week** *of Johannesburg.*

Rolfe: Old Mutual is South Africa's biggest life assurer and investment institution and as such must be a prime target for competition. What have been the recent trends in your market share?

Levett: Contrary to popular belief among a number of financial journalists who like to portray us as the lumbering giant of the industry, our market share over the 10 years to December 1984 went from 24,5% to 28%, a performance unequalled by any of our competitors — and competition is very fierce in our industry, with a few really large companies and more than 40 smaller companies active in individual life and/or pensions business.

Rolfe: How have you been able to do this?

Levett: I think our image works very strongly for us, a long-standing image of integrity, reliability and value for money. We have a strong management team too, of unequalled depth, and a very strong marketing organisation, from market research and analysis right through to promotion and great strength in distribution. We're also not embarrassed to call in expert help when it is warranted — we've had the Boston Consulting Group here twice which led to restructuring in order to focus on key market segments for profitable growth.

Rolfe: Large financial institutions are generally seen to be slow to change and adapt. Does this apply to you?

Levett: On the contrary, we have had many industry "firsts" which have been very important to us. Old Mutual was the first insurer to market Deposit Administration Pension Schemes, with such success that this is the dominant form of insured scheme business in Southern Africa today.

We were pioneers in the women's market with Her Own Policy, where we sold over 30% of new policies in 1984. More recently, our new Professional Income Protection Plan includes a unique range of benefits for self-employed professionals, for which we had to get special clearance from the authorities — this was the direct result of researching market needs. In other instances we have been highly successful followers: FlexiProgram, our universal life product, was not first on the market but in its first six months it captured over 16% of industry individual new business sales.

Rolfe: Does the black segment of the market have good growth prospects?

Levett: Individual policies sold to blacks have gone from less than 20% of our new business in 1980 to 38% in 1985, and premiums from 9% to 29%. A lot of the growth in pensions business comes from the incorporation of black staff into company pension funds and substantial improvements in their benefits. We have a low-premium, voluntary contribution group scheme marketed predominantly to blacks, which has been growing at 25% (real) for the last five years. The numbers speak for themselves and our investment of effort in these markets is unparalleled in the industry. I say *these* markets with reason because, believe me, there is no homogeneous black market segment in South Africa.

Rolfe: How do developments in South African life insurance compare with those abroad?

Levett: There are a number of similarities, and I think the South African industry has coped better with trends than our counterparts abroad, perhaps because we've been forewarned. For example, we responded to the unbundling of investment and life cover elements and the threat of substitution by other investment products, by aggressively developing investment expertise within the industry and turning in very competitive investment returns. I think we actually took money away from some financial institutions.

Mr M Levett

Rolfe: What criteria do you observe in setting investment policy?

Levett: If one phrase sums it up, Old Mutual's investment objective is to optimize the return on total portfolio, within acceptable risk parameters. In South Africa, we have to invest 53% of our non-taxed and 33% of our taxed portfolios in prescribed assets — government and state corporation fixed investment stocks, and bank and building society deposits.

Within this constraint there are opportunities for improving returns through your view on interest rates and the way in which the fixed interest portfolio is managed. We have substantially improved the tradeability of our fixed interest portfolio in recent years and we expect to reap the benefits now.

Rolfe: How big is your stake in property?

Levett: Over R1 500m, about 14% of total assets. We are the largest landlord in South Africa, directly owning a total of 1,7 million square metres (about 18,5 million square feet) in office, industrial, commercial and residential properties.

Rolfe: Are you not rather conservative in your approach to property investments?

Levett: In a positive sense, yes. We observe strict criteria for property investments — we have found that the best locations draw the most stable tenants and show the best long-term yields. However, we are innovators as well. We developed a wholly new concept here of industrial parks, creating favourable industrial working environments. We have put about R115m into these projects and the prospective returns look good.

As a mutual society we must put our policyholders first. They rely on us for attractive and secure returns, and we avoid involvement in riskier or lower-yielding investments on the off-chance that there will be a big pay-off.

Rolfe: Would Old Mutual take advantage of permission to invest offshore, if exchange controls were modified?

Levett: Within the overall investment criteria, yes. It could be the case that in many markets, returns might not be as good as those available locally. But we already have offshore investments and are actively looking at how best to expand these, given the opportunity. Of course our liabilities to policyholders are overwhelmingly in rands and I don't think it would ever be appropriate for us to be more than 10% or 20% in overseas investments for this reason. This is in any case the sort of level the authorities seem to be thinking of permitting us to invest offshore.

Rolfe: You are the biggest shareholder in two of South Africa's biggest industrial conglomerates, Barlow Rand and Safren. Do you play any part in their management?

Levett: Not in management as such. We are investors and providers of capital and we do so in order to obtain returns for Old Mutual policyholders. That is our area of expertise, not in supplying management. However, we do have board representation in the concerns you mention and in others, and we make our contribution at board level. This participation in board decisions and using our shareholding influence to work with management, is how we see our role, rather than getting involved in day-to-day running of companies.

Rolfe: What view does Old Mutual take of its corporate responsibility?

Levett: As I have said, our first responsibility is to our policyholders. However, we see this as a responsibility not just to today's policyholders but to a future body of policyholders too, and this is where we derive our power as a social force in Southern Africa.

Big business has an opportunity to participate in and even promote the change process in South Africa. We would like to see much greater freedom in the market place. I believe that the most effective way of creating employment here is not by throwing institutional money at the problem, but by allowing all groups and individuals to participate on an even footing, and let market forces work to channel money into the most effective projects.

We have done this with our black sales operation — every commissioned salesman is a small business in his own right, and by giving them the skills and support they require we have created 500 jobs in this area alone over the last five years.

Rolfe: What about employment practices?

Levett: We are an equal opportunity employer, committed to progressive and non-discriminatory practices in every facet of people management. Our objectives in our black markets would not allow us to be any other way — the same goes for women. For example, we were one of the first non-industrial companies to sign a recognition agreement with a prominent (largely black) national trade union; also, the number of blacks in management is growing steadily.

I also see us having a significant responsibility as a dominant force in the financial community, with regard to its integrity, its image and its tone. Old Mutual has led by example in this area under my predecessors and I intend to continue this tradition.

Rolfe: Yes, you assumed responsibility as managing director of Old Mutual on July 1. What major challenges do you face in maintaining your company's leadership rôle in the financial services business in South Africa?

Levett: Unquestionably, investment performance will be a key factor. We have put a lot of effort into restructuring our investment operation for effective portfolio management, and it is paying off.

Systems development and the imaginative use of information technology for competitive advantage is another key, as is a dynamic marketing operation. As a big company, our challenge is to maintain flexibility and responsiveness to market needs through delegation of decision-making and the nurturing of creative talent.

PROFILE

The South African Mutual Life Assurance Society, known as Old Mutual, is the oldest and largest life assurer on the African continent. Its individual life and group business premium income represents about 28% of the South African market and it is dominant in Namibia, Zimbabwe and Malawi as well as the national states within South Africa's borders.

Old Mutual has a membership exceeding 1 million people of all population groups owning more than 1,8 million individual policies. Its employee benefit plans provide security for over 2 million families.

The market value of its assets at the end of the 1985 trading year amounted to over R13 000m. As a major shareholder in South African companies, Old Mutual holds 13.7% by market value of its top ten equity investments which include Barlow Rand, Anglo American Corporation, Sasol, Nedbank, Stanbic, SA Breweries and the Rembrandt Group.

As an equal opportunity company Old Mutual is a social force too, heavily involved in the development of people regardless of colour, race or creed and its full range of products and services are made available on the same basis to all. Consistently strong premium growth has been maintained in recent years with 1984 showing the best growth in the 139 year history of the company. Total guaranteed protection enjoyed by policyholders is currently in the region of R50 000m.

OLD MUTUAL: TEN YEARS OF GROWTH

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
	Rm									
Premium income	275	331	414	494	627	821	1 008	1 209	1 578	1 796
Investment income	123	149	184	229	298	406	541	658	798	1 043
Total income	398	480	598	723	925	1 227	1 549	1 867	2 376	2 839
Benefits	112	137	154	188	217	288	367	462	594	836
Total outgo	175	208	237	284	335	421	571	660	881	1 181
Operating result	223	270	360	439	590	806	978	1 177	1 495	1 658
Policyholders' reserves	1 575	1 838	2 223	2 780	3 514	4 288	5 280	6 876	8 503	10 548
Market value adjustment	—	—	—	—	—	—	—	2 152*	2 138*	2 667*
Policyholders' funds	1 575	1 838	2 223	2 780	3 514	4 288	5 280	9 028*	10 641*	13 215*
Investments	1 519	1 770	2 157	2 671	3 401	4 182	5 066	8 915*	10 381*	12 888*
Total assets	1 612	1 881	2 293	2 824	3 584	4 406	5 395	9 317*	10 882*	13 501*
Guaranteed security provided to policyholders	9 042	10 480	12 081	14 885	18 381	23 142	28 818	35 431	42 421	49 622

*In accordance with the Society's revised disclosure policy, these amounts are based on market values.

OLD MUTUAL

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OVERSEAS NEWS

N. Zealand drive to cut prices on imports

By Dai Hayward in Wellington

THE NEW Zealand Government *yesterday* launched a campaign to persuade importers to reduce consumer prices on imported goods so *people could enjoy* the benefits of the strong New Zealand dollar, which continued to rise against both the U.S. and Australian dollars.

The Government itself led the way with a four-cents-a-litre cut in the price of petrol. That followed an earlier five-cent reduction in August.

The value of the New Zealand dollar yesterday rose to 59.35 U.S. cents, and exchange dealers now forecast a rise to 60 U.S. cents. Three ministers called for importers to pass on the benefits instead of pocketing the profits.

The NZ dollar has risen five cents in value against the U.S. dollar *since the beginning of the month*. It is now almost 15 cents higher than its 44 U.S. cents exchange rate when the NZ dollar was floated in March.

It has also risen 20 cents against the Australian dollar since the March float.

Mr Roger Douglas, Finance Minister, *pointed out* that petrol, which is now 90 cents a litre, had dropped nine cents since August, and he called for similar reductions on other imported goods. The minister referred particularly to tea, coffee, cocoa, pharmaceuticals and phosphate – all price-sensitive in the NZ economy – as commodities that should drop in price.

Jurek Martin finds growing social awareness in Tokyo's economic plan

Japan moves towards maturity

AT THE meeting of the Group of Five Finance Ministers in New York last month, Japan *committed itself to boosting* domestic demand in order to help relieve trade friction. But, as Japanese officials carefully pointed out on their return from the Plaza Hotel, neither Japan nor any other country promised policy initiatives beyond what was easily in the powers of their respective governments to deliver.

Yesterday's package of measures primarily consists of the sort of pump-priming actions to which Japan has long had recourse. There are intriguing, though far from original, hints at *future policies which might* more effectively mobilise the country's vast savings behind greater domestic infrastructural and other spending eventually, but the Government has mainly relied on tried and trusted tools.

These include, yet again, the front loading of public works spending, "administrative guidance" to both utilities and local governments to spend and borrow more, a mini-boost to domestic housebuilding on private and public lands, and a general exhortation that development be focussed more on social needs and relatively less *on industrial expansion*.

More tantalising, but still mostly nebulous, are the promised incentives for the Japanese to spend more. The easing of consumer finance regulations were limited to just three items—cars, television sets, and larger vehicles—while the expectation that financial liberalisation will offer a wider range *of investment opportunities for* the average citizen was couched only in the abstract.

In any case, the pace of change in Japan, rarely rapid by Western standards, is such that even modest proposals yesterday to increase the hours during which automatic bank *cash dispensers stay open or to* create more public holidays may take years to be implemented.

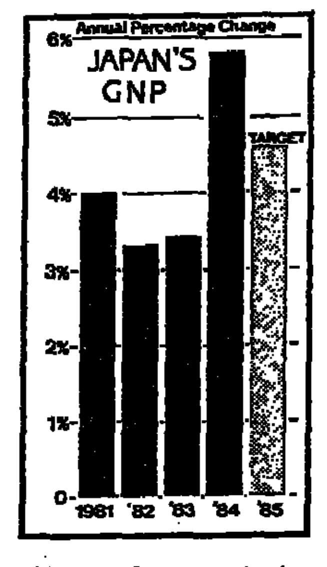
The package is also noteworthy for some large omissions, some of which may be rectified later. Nothing was done on the tax front, largely because the necessary consensus between the *politicians, who* want cuts for electoral purposes, and the Ministry of Finance, which remains concerned about deficits and debt refinancing, is not yet in sight.

The Ministry was unwilling to permit the inclusion of anything in yesterday's package that might infringe on its budgetary proposals for the next fiscal year, which begins in April. They must be presented to parliament by the end of this year.

These uncertainties make it extremely difficult, as officials conceded *yesterday, to estimate* the macro-economic impact of the latest measures. There will be no revision of the 4.6 per cent official target for *real* growth in the current year for another two months, and nobody was willing yesterday even to speculate on whether or not this might be improved

The "value" of the latest measures (Y3.1 *trillion (million* million) in outlays worth Y4.1 trillion when the ripple down effect is compounded) is euivalent to 1.3 per cent of this year's estimated nominal gross national product. But that *forecast is inherently suspect* because of the considerable influence of external factors.

Growth figures for the April-June period, the most recent quarter to be announced, were



healthy, at 8 *per cent* at an annual rate and showed a better balance in the economy —nearly half the expansion was accounted for by the domestic side.

But the record of the 1980s *has* been *that* Japan has prospered on the back of its exports, not as a result of domestic demand. That vulnerability, as the Organisation for Economic and Development (OECD) recently pointed out, has not yet been *convincingly* disposed of and there is no reason to believe that the latest actions will do the trick.

Nor is there much in them to encourage those who want to sell more to Japan. Foreign car sales, for example, equal for barely 1 per cent of domestic output and are unlikely to be much affected by relaxation of hire *purchase* rules; foreign TV sales, beyond the *specialist* professional sector, do not exist.

History also suggests little likelihood of foreign companies getting much more than crumbs from any improvement in infrastructure. Major projects, like the planned new Kansai international airport near Osaka, have already effectively been locked up *by Japanese companies*. Indeed, in anticipation of more and bigger contracts, *shares* in domestic construction companies are currently the darlings of the Japanese stock markets.

The most obvious prospect for a foreign piece of the Japanese domestic action lies on the financial side. *Local* governments in Japan may now tap foreign markets for fund raising for a wider variety of projects than hitherto allowed (for new sewage developments for example).

It may be premature however to dismiss yesterday's package as pure window dressing for external consumption. Even if only gradually the authorities in Japan are coming to recognise that the nation's social infrastructure *is* not commensurate with its output of goods and services—nor with the needs of a rapidly ageing society.

The words "social capital," to which the package is partly addressed, are becoming more and more *important in the* vocabulary of policymakers.

This will not mean an abandonment of *fiscal austerity* at the Government level nor instructions to the man-in-the-street to run up unlimited overdrafts at the bank. But it does constitute some small steps forward in the move towards *social and economic maturity in* Japan.

Expansion of S. African arms embargo urged

BY MICHAEL HOLMAN

A UNITED Nations report has called for a "fundamental" *change in the policies of trans*national corporations operating in South Africa and Namibia

The report, drawn up after hearings in New York last month and earlier this month before a panel chaired by Mr Malcolm Fraser, the former Australian Prime Minister, proposes a wide range of measures *by transnationals including* defiance of some of the Republic's security legislation.

The *main recommendations* include a call for disinvestment by companies producing for the military, police and security sectors, and an expansion of the existing mandatory arms embargo to include what the *reports term "dual use items,"* such as motor vehicles, computers and electronic equipment.

The report also calls for an end to new investment and new loans, a ban on export credits, and a prohibition on the import of gold from South Africa.

Foreign companies operating in Namibia are called on to end their activities unless sanctioned by the UN Council for *Namibia, and to refuse to pay* "taxes, royalties or other forms of economic rent to the Government of South Africa."

According to the report, 1,068 transnational corporations are operating in South Africa, led by the U.S. (406), Britain (364) and West Germany (142).

The panel received written submissions from 10 transnationals including Rio Tinto Zinc, British Petroleum, Fluor Corporation, General Motors and Hewlett-Packard, but *no* company representative appeared in person.

Officials from the leading South African business associations, both English and Afrikaner, made written and personal representations.

The proposals, likely to be presented to the UN General Assembly, were presented at a *press conference in London* yesterday by Dame Judith Hart.

Dame Judith acknowledged that if companies were to observe all the recommendations of the report they would find it virtually impossible to operate in South Africa.

"We are trying to get the transnationals to appreciate that they are sustaining apartheid if they obey apartheid laws."

Anthony Robinson writes: In Cape Town, Sir James Cleminson, president of the Confederation of British Industry (CBI), opened the annual meeting of the Associated Chambers of *Commerce (Assocom) congress* with a speech expressing the CBI's "total opposition to Apartheid,

Commonwealth debates sanctions Page 5

Retrial rejected for black poet under death sentence

BY ANTHONY ROBINSON IN JOHANNESBURG

PRESIDENT P. W. BOTHA yesterday rejected a petition for the retrial of Mr Benjamin Moloise, a 30-year-old black poet whose execution for the murder of a security policemen three years ago was stopped on August 20 when defence lawyers received Supreme Court permission to petition the President.

He is now due to be hanged in Pretoria Jail on Friday.

The original stay of execution followed widespread foreign and domestic protests and appeals from the British Foreign Office and Bishop *Desmond Tutu*.

Mr Moloise was convicted of the murder of Warrant Officer Phillip Selepe who died in an ambush ordered by the African National Congress (ANC) for his part in the arrest of three ANC guerrillas who were later executed.

The ANC, which claimed responsibility for the killing, denied that Mr Moloise was involved while defence lawyers claimed he was psychologically disturbed and under intense *police* and ANC *pressure* at the time.

● The leader of South Africa's white official opposition party, Dr Frederick van Zyl Slabbert, yesterday atacked the "vague and *ambiguous rhetorical* noises about reform" emanating from the National Party Government and esaid that Apartheid must be destroyed, not reformed, if conflict was to be avoided.

AMERICAN NEWS

Canada split on sanctions against South Africa

BY BERNARD SIMON IN TORONTO

CHOGM BAHAMAS 85 16-22 October

DIVISIONS WITHIN the Canadian Government have complicated the key mediating position which Prime Minister Brian Mulroney hopes to take in forging a Commonwealth consensus on South Africa at the Commonwealth Heads of Government meeting which opens in Nassau today.

The official Canadian position on South Africa, understood to reflect the views of Mr Joe Clark, the External Affairs Minister, continues to fall short of support for mandatory economic sanctions against Pretoria. But some officials in the External Affairs Department and the Prime Minister's office appear to be urging Mr Mulroney to take a tougher line, partly to boost his flagging image at home after a series of domestic political embarrassments.

Mr Mulroney said before leaving for the Bahamas that he expects Canada to play "a role of certain importance" in finding a consensus at the meeting. He added that if Britain "were to flounder (on the Apartheid issue), it would be deeply unfortunate for the Commonwealth."

Canada has been at the centre of pre-conference activity to find common ground between Britain's opposition to mandatory sanctions against Pretoria and the more forceful policies advocated by Afro-Asian members of the Commonwealth. In the past few weeks, Sir Geoffrey Howe, British Foreign Secretary, Tanzanian President Julius Nyerere and Sir Shridath Ramphal, Commonwealth secretary-general, have visited Canada to discuss their positions with the Ottawa Government.

Canada has so far taken a cautious line on sanctions, imposing measures with only a limited impact on bilateral trade with South Africa and on Canadian companies with investments there although the steps go further than action taken by Britain.

Earlier this year, Ottawa cancelled a double taxation agreement with Pretoria and asked Canadian banks for a voluntary ban on Krugerrand coin sales in Canada. The Government has appointed an ombudsman to monitor the employment practices of the 30-odd Canadian companies with interests in South Africa.

The most recent batch of anti-apartheid measures announced by Ottawa included a prohibition on direct commerical flights between the two countries, although none are in operation.

Commonwealth bid to find a consensus

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

MRS MARGARET THATCHER, the British Prime Minister, will come under strong pressure from other Commonwealth countries to agree to a package of economic sanctions against South Africa at the six-day Commonwealth Heads of Government Meeting (CHOGM).

The attempt to reach a common position on sanctions will dominate the two-yearly conference to be opened by the Queen, traditional high point in the calendar of the loose association of 49 states, which groups Britain and the majority of her former colonies.

Though the CHOGM is not a forum in which binding decisions are taken and has sometimes been described as little more than a talking-shop by its detractors, an attempt to reach a consensus on important issues is always made.

Mr Shridath (Sonny) Ramphal, the Commonwealth's long-time Secretary-General, has made it clear that he wants the member states to send "powerful signals" to South Africa to abolish apartheid by the adoption of economic sanctions.

Britain is fundamentally opposed to economic sanctions because it claims they would hurt the black population of South Africa and the neighbouring African states more than the white ruling class of South Africa.

Sir Geoffrey Howe, the Foreign Secretary has also said that sanctions, far from persuading the Pretoria Government to introduce reforms, would lead the traditionally stubborn Afrikaners to resist change even more than they did already.

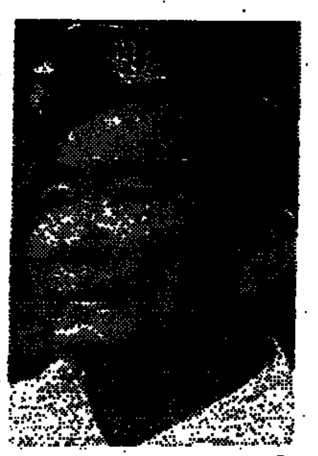
However, even those countries who are advocating a comprehensive package of economic sanctions do not yet have a common position. President Julius Nyerere is one of the few leaders of the black Commonwealth member nations to have spelt out his proposals in detail. His list of proposed sanctions includes a ban on agricultural imports from South Africa, a ban on new investments in the Republic and a cutting of civil air links with Pretoria.

In an effort to find a compromise between Britain and her hardline Commonwealth partners, Mr Ramphal had discounted the imposition of a general trade embargo on South Africa and has emphasised that sanctions must be "selective." Mr Brian Mulroney, the Canadian Prime Minister, has also drawn up proposals which he hopes might be acceptable to Britain.

A failure to reach a compromise would not be disastrous in the eyes of the British Government. Sir Geoffrey said last weekend that where no common position could be agreed on, member countries should continue to apply whatever policies they considered most suitable to attain the common objective of abolishing apartheid.

Reagan emissary carries blunt warning to Marcos

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON



President Marcos . . . under pressure

PRESIDENT Ronald Reagan has sent a personal emissary to President Ferdinand Marcos of the Philippines with a blunt warning that his regime is in military and economic danger, according to officials in Washington.

The envoy, Republican Senator Paul Laxalt of Nevada, a close friend and confidant of Mr Reagan's, arrived in Manila on Monday.

The White House yesterday confirmed Mr Laxalt's mission, which it had at first apparently hoped to keep secret, but tried to play down some of the more lurid accounts of the message he is carrying.

It was "a little overblown" to suggest that the Marcos Government was in danger of being overthrown, Mr Larry Speakes, the White House spokesman, said.

Mr Speakes's comments came after the Washington Post had quoted one official saying that the message was "the bluntest Presidential message ever delivered to a friend." President Marcos would be told that he was "screwing up the fight" against the communist insurgency led by the increasingly powerful New People's Army.

Another official said that U.S. intelligence assessments indicated that the Philippines, with its two vital U.S. military bases, could become "this administration's Iran" unless Mr Marcos introduced reforms.

U.S. officials warn that he must shake up the Philippine military, crack down on corruption, introduce economic reforms and, preferably, develop a "clean and open" electoral system.

Last week, Mr Dave McCurdy, a member of the house intelligence and armed services committee, said that both the Central Intelligence Agency and the Defence Intelligence Agency had warned that the Philippines was heading for a "catastrophe" unless changes were made.

The warnings were also underscored last week by Mr Lee Kuan Yew, the Prime Minister of Singapore, in talks with Mr Reagan at the White House, U.S. officials said. In an interview with the Washington Post during his visit, Mr Lee called the Philippines a "source for anxiety." and predicted that the insurgents would grow "quite a bit stronger" if the country's economic problems were not resolved.

Washington officials yesterday could not confirm reports that Mr Lee had also discussed the possibility of transferring U.S. bases to Singapore, if they had to leave the Philippines. The U.S. however, has made no secret of the fact that it has been looking at alternative sites in the Pacific area.

Nicaragua claims victory over rebels

By Tim Coone in Managua

THE U.S.-BACKED guerrillas fighting in Nicaragua have been "strategically defeated" according to Commander Joaquin Cuadra, Nicaragua's Vice-Minister of Defence.

He said yesterday that the guerrillas had suffered heavy human and material losses during the year and that their strategic plans and offensives had failed.

Most of their troops had been forced into the remote region of Zelaya Central in the interior where their main supply routes were cut off and they were finding it difficult to receive reinforcements from rearguard bases in Honduras.

There have been few major actions in recent months in the main coffee and cattle zones of the country where the guerrillas had developed their main offensives over the past two years.

Commander Cuadra said the Nicaraguan armed forces had the borders heavily defended and that the counter-revolutionaries were counting on the support of the Honduran armed forces to assist their infiltration into Nicaragua.

Skirmishes and battles were now taking place closer to the frontier, he said, as the guerrillas were rapidly detected and attacked, and he said the army was expecting the guerrillas to attempt infiltrating a major force in the coming week.

Canute James reports on the economic threat to an island leader

IMF medicine fails to cure Jamaica

Mr Seaga . . . losing support

MR EDWARD SEAGA, Jamaica's Prime Minister and Finance Minister, recently attacked the International Monetary Fund for the speed at which it expects its policies of economic adjustment to work in developing countries.

Mr Seaga's thinking is clearly conditioned by the Jamaican experience — or experiment — as some of his detractors describe it. Three years of following policies agreed with the fund and financed by credits from it have left the Jamaican economy facing further significant economic decline.

Yet the Prime Minister, who said five years ago that the IMF was indispensable to Jamaica's economic progress, is hardly likely to regard the institution as the architect of Jamaica's dismal economic outlook.

Having just received a standby facility of $118m, he has no objections to the substance of the fund's policies, but is worried that they are being implemented too quickly, with the risk of a politically dangerous dislocation.

The setbacks and dismal prospects for the economy have had an adverse effect on Jamaicans' perception of Mr Seaga's administration. Public opinion polls have indicated that the People's National Party, headed by Mr Michael Manley, is enjoying increasing popular support and would easily win an election if it were called now.

Mr Seaga's apparent frustration with what he described as "the huge toll in human suffering," caused by the pace of IMF programmes, followed publication of the latest forecast by tahe island's Planning Institute of likely economic growth. On the basis of the economy's performance in the first half of the year, the Institute expects Jamaica's GDP to contract by as much as 6 per cent this year.

When Mr Seaga's Conservative Labour Party was swept into office by a landslide vote in October 1980, it was on the basis of a promise to breathe new life into an economy which was foundering under Mr Manley's social democrat administration. Five years later the dream of meaningful economic improvement is as elusive as it was then.

Dr Headley Brown, head of the Planning Institute, said last December that Jamaica's economic prospects for 1985 suggested GDP growth of "... upwards of 2 per cent." Later he revised this forecast to "... a small measure of contraction in 1985, with about a 1 per cent decline in GDP." Now, says the Institute: "Indications are that a somewhat higher fall in real terms may be experienced (ranging from a 3 per cent decline to a 6 per cent decline, if budget and balance of payments targets are to be met."

The problems facing the Jamaican economy are not intractable, say local bankers, and the Government agrees. What Jamaica has not had in the last five years is enough breathing space to establish a foothold that will take it beyond the short term.

The Institute's revised forecast was made because of "the decline in tourism, relative to what was expected at the beginning of the year; the decrease in world aluminium prices; and the impact of the drought experienced earlier this year on the agricultural sector."

There is agreement between the Government and its detractors that the villain of the piece is the bauxite industry, which has traditionally accounted for two thirds of net foreign earnings.

Reduced demand will depress output this year to 6.5m tonnes, 30 per cent less than last year. Mr Hugh Hart, the Mining Minister said net earnings will not pass $150m, down from $220m last year.

Mr Hugh Shearer, the Deputy Prime Minister, said the cuts in output had cost the economy potential earnings of about $500m over the past five years.

The economy suffered a body blow in August when the largest refinery was closed by its owners, Reynolds Metals and Kaiser Aluminium of the U.S. This followed the shutdown by the Aluminum Company of America of its refinery in February.

Export agriculture, the basis of the economy up to three decades ago, has also suffered.

Tourism has made significant strides, with the number of visitors last year reaching 845,000, 50 per cent up on 1980. Gross earnings of $405m last year have not, however, been enough to fill the gap left by the other sectors.

The Government has been trying to develop non-traditional agriculture, aimed at the U.S. market, with promising results. But the returns are not yet high enough to ease the pain.

The dream of making Jamaica the Taiwan of the Caribbean has also failed to become a reality. Foreign investors, mainly from the U.S., have established plants, but at a pace far slower than the Government had forecast. More recent efforts have been aimed at getting Far Eastern companies to relocate in Jamaica.

The poor performance of key sectors of the economy has been compounded, in the eyes of most of the island's 2.1m people, by economic policies implemented by the Government. Mr Seaga is pledged to reduce the fiscal deficit to 2 per cent of GDP by the end of the current financial year.

The Government's use of twice-weekly hard currency auctions by the central bank over the past 22 months has led to a 78 per cent cumulative devaluation of the Jamaican dollar. The inflation rate this year is expected to be close to last year's 31 per cent.

The Administration has managed to reduce pressure on limited foreign earnings by obtaining agreement from its Paris Club and commercial bank creditors for rescheduled payments on parts of its foreign debt.

But the unpopularity of the economic situation, confirmed by the polls, has reinvigorated Mr Manley and his party.

The Government's reading of the situation suggests that the fall in its popularity is the result of the effects on Jamaicans of the economic measures. An improvement, expected in two years, may increase the Government's political stock, and then it will be time to think about an election, say Government officials.

Insurer moves to curb losses on satellites

BY NANCY DUNNE IN WASHINGTON

INTERNATIONAL Technology Underwriters (Intec), one of the leading space insurers, will only "selectively" underwrite shuttle launches in the future and will no longer insure satellites for the initial in-orbit testing period.

With the space insurance industry reeling after some $600m in losses during 1984 and 1985, Mr James Barrett, president of Intec, has called for changes within the industry's operations. The recent Ariane 15 failure, he said, brought the industry "very close" to its demise.

"Satellite manufacturers have insisted on delivering the satellite to their customers on the ground, leaving the risk of launch and the successful operation to the satellite owner," he said.

"The manufacturer is the only one who really can control the quality of the product."

In the past two years, seven satellites have failed to operate. Hughes Aircraft alone, said Mr Barrett, "has dealt the market, directly or indirectly, more than $350m in losses in more than 18 months."

Insurers were "still gasping from the unprecedented failure of two satellites in succession," he said, when they heard the news of the Ariane failure on September 12. The two satellites it carried, GTE Spacenet-3 and Eutelsat-ECS, became losses totalling $168m.

While premiums for space insurance have been historically high, they are not high enough to cover the accumulation of space investors, Mr Barrett said.

The once profitable underwriting market, which earned $62m in 1983, now shows an historical loss ratio, claims in relations to premiums, of more than 200 per cent.

Satellite manufacturers must take on the risk of successful performance so they "will be motivated to achieve higher levels of design control and quality assurance," Mr Barrett said.

While the failure of satellites and launching systems would be "painful" to the manufacturers, it is the only way to turn the business around, he said.

Dutch lead Europe in Japanese investments

By Laura Raun in Amsterdam

THE Netherlands attracted more Japanese investment in the year ended last March than any other West European country, according to Japanese Government figures.

Japanese companies invested $452m (£323m) in the Netherlands, 4½ per cent of the amount they invested abroad, between April 1984 and March 1985, according to the Japanese Ministry for International Trade and Industry (Miti). The Netherlands was followed by Ireland, Britain, West Germany, France and Belgium.

Mr H. Leliveld, director-general for industry within the Dutch Economics Ministry, said the traditionally favourable investment climate has improved. Wage rises, notably, have lagged behind those in neighbouring countries and interest rates have eased to more manageable levels.

Between 1954 and 1984, the Dutch ranked third behind the British and Germans in drawing Japanese investment.

The Netherlands historically has attracted foreign investment, particularly American, because of its location as a gateway to Europe, international orientation and exceptionally free capital flows.

Andrew Fisher casts an eye at a cut-throat shipping market

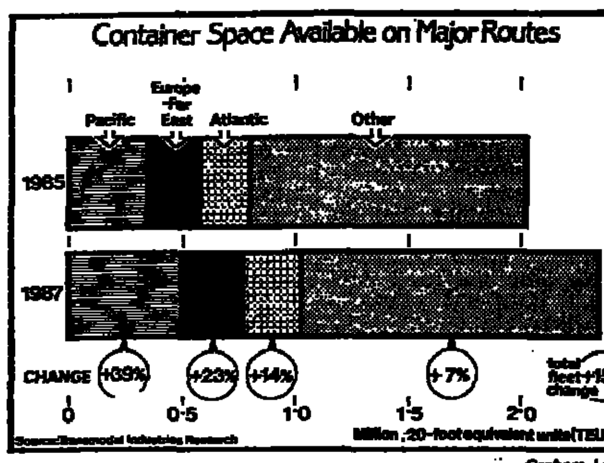
Pacific minnow finds the going too rough

WHEN ONE of the world's best-known shipping companies announces it is pulling out of the busiest container route, something must be wrong. Yet Hapag-Lloyd of West Germany did just that last week, saying it preferred to leave the Pacific rather than continue suffering heavy losses there.

Last year was a bumper period for trade across the Pacific, with imports into the U.S. from Asia soaring by 25 per cent. But 1985 is a very different story. While volumes have stayed high, though growth has slowed, mounting over-capacity has put immense pressure on freight rates.

Hapag-Lloyd's problem is that it is only a little fish in this particular ocean, with five chartered ships. Its container capacity is dwarfed by that of the three big U.S. carriers—United States Lines, Sea-Land, and American President Lines (APL)—and by Evergreen of Taiwan and Maersk of Denmark.

Shipping rates have fallen by as much as 40 per cent for some high-priced U.S. imports such as electronics goods and by some 20 per cent for heavier export products such as machinery and spare parts. It is proving a tough year for the Pacific lines, which number nearly 40.



Graham Lever

The German company, now back in overall profit after some rough recent years, was heading for a loss of around $10m on the Pacific in 1985. Its departure will come at the end of this year, but the operation will be run down before then.

"Yes, it was a hard decision," said Mr Michael Peters, the Hapag-Lloyd manager in charge of liner (scheduled cargo) services into the U.S. "But rate levels have fallen to such a ridiculous low that we felt it was best for the company."

Hapag-Lloyd has operated in the Pacific since 1978, following a period there early this century, and the route is its only cross-trade, where ships do not call at a home port.

Nearly two years ago, the German group sold four vessels to Lykes of the U.S. and chartered in its present five larger ones so as to be able to run a better service. It has operated its service jointly with Sea-Land since last year in an agreement which was due to run out at the end of 1985.

It is not only Hapag-Lloyd which has felt a chill across the Pacific as available capacity has grown faster than trade. Earnings of Sea-Land, APL (which operates only on the Pacific) and McLean Industries (parent of U.S. Lines) have fallen sharply this year.

APL's parent, American President Companies has just announced third quarter earnings of $14.2m, from nearly $38m in the same period last year, though about $8m of this was not connected with actual operations. Sea-Land is also expected to report weak earnings.

Despite the 40 per cent over-capacity forecast for the Pacific route over the next couple of years, both Evergreen and Yang Ming of Taiwan have been expanding along with several other lines.

Sea-Land, for instance, has been aggressively seeking market share on the Pacific, making its own contribution to the rate war, and confidently expects business across the ocean to expand in coming years and absorb much of the extra capacity.

APL said that its third quarter cargo import volume into the U.S. had been the highest in its history. In August goods for the Christmas season are shipped into North America. The fourth quarter is traditionally weak, and the industry reckons it could be even more so this year.

The big spenders on new vessels, like U.S. Lines, count on winning enough trade to cover their high financing costs. Both U.S. Lines and Evergreen have invested heavily in new round-the-world services which are now almost in full operation.

Pacific carryings are dominated by the eastbound trade into the U.S. Ships sailed at full capacity last year and are at least 80 per cent loaded in 1985. In the other direction, towards such Asian markets as Japan, Hong Kong and Taiwan, business is less buoyant, capacity utilisation lower and rate pressures tougher.

But the big U.S. companies, commented Mr Peters, have one advantage over Hapag-Lloyd on this weaker leg—access to U.S. military cargoes. The same is true on the Atlantic, no longer the over-tonnaged rate battlefield it was a few years ago.

Hapag-Lloyd's decision met with some understanding among other Pacific operators. "It's probably the first of several," was one comment on the possibility that more companies could decide to withdraw from the Pacific, as the waves get too rough.

Consortium in $50m funds deal for Egypt truck plant

BY TREVOR MOSTYN IN CAIRO

GENERAL Motor Egypt (GME) signed a $50m finance package yesterday with a group of banks led by Chase National Bank of Egypt and Misr International Bank for a new truck factory near Cairo.

The GME truck package is being financed through a consortium of local joint venture banks. Participants also include the Egyptian-American Bank, the Egypt Gulf Bank and Banque du Caire.

Financing for the plant, which aims to produce 18,000 trucks a year, has been under discussion since the late 1970s. Under yesterday's agreement, the syndicates of joint venture banks are providing the equivalent of about $45m for construction and start-up costs and working capital. An additional $5m is being provided by the U.S. Government.

GME is a consortium involving General Motors (31 per cent), Isuzu of Japan (20 per cent), Kuwaiti and Saudi investors (16 per cent), and six Egyptian private investors (33 per cent).

Production at the plant of light and medium-sized trucks began in June. GME aims to meet a commitment to the Government within three years for 40 per cent local content.

President Mubarak visited the plant this week even though relations between the U.S. and Egypt have been strained over the Achille Lauro affair. GM officials regarded his visit as a promising sign for other projects presently under discussion.

Negotiations are at an advanced stage between GM and Egypt for a $1bn integrated car industry. GM plans to produce with local partners two new passenger cars with a commitment that they should be 50 per cent Egyptian-manufactured within three years.

This would be GM's biggest commitment in the Middle East, involving some 16 component feeder industries geared to local demands and exports to Europe.

Taiwan company plans to import foreign footwear

BY BOB KING IN TAIPEI

ONE OF Taiwan's largest manufacturers and exporters of ladies' fashion footwear is planning a move which would once have been unthinkable. At the end of this month Tai Shoe International, which ships up to 4,000 pairs of shoes a day to the U.S., will begin importing and retailing expensive Italian and American footwear.

The venture could involve as many as 20 retail outlets by next year. If successful it could open a new market for European and American manufacturers of high quality footwear.

Mr John Hu, head of Tai Shoe, said the idea of selling foreign shoes was the result of his frequent trips to Italy to buy leather and machinery for his factories.

He was also intrigued by reports that Taiwanese women often purchase Italian shoes costing as much as $200 a pair during shopping trips to Hong Kong.

Mr Hu has invested $500,000 initially in the venture. He has already imported several thousand pairs of high fashion ladies' shoes bearing such names as Impo of the U.S., and Andrea Pfister, Bruno Magli, Colette, and Linea Lidia of Italy.

He plans to market the shoes at roughly the same price as they are sold in Hong Kong, despite an import duty of 30 per cent which the government will cut to 15 per cent in January.

"If Taiwan consumers will buy these shoes in Hong Kong, then they'll buy them here if the prices are roughly the same," he said. "We're not worried about profits for a couple of years. I'm looking at this in the long term."

Mr Hu is scouring the U.S. and Europe for other brands that might fit the high-fashion image of his shops, the first of which is due to open at the end of this month.

Toyota co-operation with joint venture approved

TAIWAN HAS approved a 10-year technical co-operation agreement between Toyota Motor, of Japan, and Kuo Zui Motors, a Taiwanese-Japanese joint-venture, to produce heavy-duty trucks and buses in the country, Reuter reports from Taipei.

Kuo Zui said the company would pay Toyota an undisclosed royalty on the trucks and buses. Toyota will not be investing any money in the venture, only technology.

Kuo Zui said the agreement will boost the company's truck and bus production by at least 50 per cent from the current yearly output of 3,000 vehicles, ranging from nine to 35 tons.

Production of Toyota's six to eight-ton "Dyna" models is expected to start in early 1986 with an annual output of 1,800 vehicles, the company said.

Kuo Zui, established last year, is a trucks and buses joint venture between several Taiwanese companies, including Taiwan's Cement Corporation, the Tatung Company and Sampo Electronics, and two Japanese companies, Hino Motor and Sanjing Trading.

Chinese invite bids for harbour contracts

CHINA yesterday invited foreign companies to bid for huge harbour contracts and promised new laws to lure foreign investors, Reuter reports from Peking.

Qian Yongchang, Communications Minister, said China was inviting bids for the construction of more than 200 harbour berths within the next five years. China's 13 largest ports are handling 30 per cent more than their designed capacity and cannot meet the needs of its growing foreign trade.

Special terms to be offered to bidders include exemption from customs duties and certain taxes for imports of raw materials and equipment used in harbour building and a low rate of income tax.

BT warned against phone prices breach

BY JASON CRISP

A DISPUTE broke out yesterday between British Telecom and the Office of Telecommunications (Oftel) over possible telephone price increases for residential and small business customers because of competition from Mercury Communications.

Oftel, the regulatory body, warned that it would not hesitate to use all its powers if BT broke a commitment not to increase residential telephone line rentals by more than 2 per cent above the rate of inflation. BT then issued a statement accusing Oftel of over-reacting.

The threat followed a statement from BT on Monday commenting on Oftel's determination on interconnection – the exact rules by which Mercury's telephone network is linked to BT's so that calls may be freely made between the two competitors.

BT said on Monday: "On balance the nature of the Oftel determination will mean that residential and small business customers are likely to end up paying more, sooner, to offset the benefits to large business customers arising from Mercury Communications in the switched (dialled) telephony market."

It also said, on its initial reading, it saw, "no reason immediately to review" either its voluntary undertaking on residential line rentals or the rebate scheme on rentals for low users which is supposed to help pensioners who need a telephone for emergencies.

There has been no suggestion that BT would breach its licence requirement that the overall price increases of inland services are at least 3 percentage points less than the increase in the Retail Prices Index.

At the centre of the dispute are the prices which Prof Bryan Carsberg, director general of Oftel, has decided Mercury, a subsidiary of Cable and Wireless, will have to pay BT for enabling people to dial into its network. These prices effectively give Mercury a discount on those BT charges normal customers.

Oftel said that Prof Carsberg had taken into account the commitment on rentals together with BT's need to recover its exchange line costs when he made his ruling.

BT generally loses money on its residential line rentals and the increases are part of the rebalancing of its tariffs.

Oftel said it would expect BT to seek an adjustment in Mercury's charges before it broke its promise on telephone line rentals.

The flurry of statements marks the beginning of what is likely to be a long and hard struggle over this ruling on interconnection, which has enormous implications for the profits of both Mercury and BT.

BT's cautious response to the ruling on Monday left it with plenty of room to manoeuvre once it has considered the full implications.

It is considering a number of changes to the tariff structure such as increasing local call charges in the central London area and in rural parts.

It is unlikely to make further tariff changes in the near future having just announced an increase for November.

Oftel made the ruling on interconnection after Mercury and BT had failed to agree earlier this year. The principles underlying it are that anyone should be able to telephone anyone else and that customers should have a choice about which company to use.

The ruling means that Mercury will be able to offer a telephone service to anyone in Britain although it has only a limited network.

GM faces union threat of import ban

By Helen Hague, Labour Staff

GENERAL MOTORS cars and components coming into the UK might be blocked by unions if the company does not increase output at the Ellesmere Port, Liverpool, plant of Vauxhall, GM's UK subsidiary.

The TGWU and craft unions at the site have protested at the increased levels of imports and under-use of capacity.

Earlier this week, officials from various unions met senior management to press their grievances.

Output of Astra cars and Bedford vans at the plant stands at 24 an hour. The unions want capacity levels of 35 an hour implemented.

The 35 vehicles target was agreed by the company in 1983 but has not been achieved.

The unions also want discussions on more investment to provide more jobs and increase production.

The company told union officials earlier this week that it was prepared to spend £10m to remedy faults that are stalling production levels.

INDIAN DISSIDENTS COULD LOSE PROTECTION

Britain offers clamp on terrorism

INDIAN DISSIDENTS accused of terrorism will no longer be able to claim political asylum in Britain if New Delhi accepts an offer to this effect made yesterday by Mrs Margaret Thatcher, the Prime Minister, David Lennon writes.

Britain is willing to extend the Suppression of Terrorism Act of 1978, which applies to Europe, to include India, thus eliminating or restricting the possibility of terrorists evading extradition by pleading that their crimes were political, she told Mr Rajiv Gandhi, the visiting Indian Prime Minister.

The two leaders discussed a wide-range of international topics during their final meeting yesterday. However, no announcement was made concering the possible sales of British helicopters and military aircraft to India.

Discussions on the £250m sale of helicopters and Harrier jets are "continuing satisfactorily" between ministers, a Downing Street official said yesterday. It is not expected that there will be an early announcement of the conclusion of the negotiations, which have been in progress for two years.

The two leaders also discussed the vexed question of economic sanctions against South Africa. However, despite her visitor's clear desire to see Britain act in this matter, Mrs Thatcher reiterated her belief that sanctions would not be effective in bringing about an end to apartheid policies.

The importance of the terrorism question was underlined by the tight security which surrounded the visit. Police were out in force both in Downing Street and at the Mansion House, in the City of London, where Mr Gandhi was the luncheon guest of the Lord Mayor.

Mrs Thatcher's offer to lift immunity for terrorists came in response to Mr Gandhi's call on Monday night for Britain to adopt tougher measures against Indian extremists. "It is only the sustenance provided by external supporters which keeps alive the illusions" of the extremists, he said.

It may take some time before the new regulations come into force

Mr Rajiv Gandhi: Discussed S. African sanctions

Fixed Channel link preferred, poll says

BRITISH PUBLIC opinion strongly favours the creation of a fixed link across the Channel between England and France, according to a poll conducted by Mori for Euroroute, one of the consortia seeking to build such a link.

Mori found that 70 per cent of the 1,058 adults it interviewed two weeks ago were in favour of a fixed link and only 17 per cent opposed. It also found that 52 per cent of motorists would prefer to drive their cars all the way across, which they would be able to do if the combined bridge-tunnel scheme proposed by Euroroute went ahead.

Only one in 12 preferred the idea of putting their car on a train at Dover for shipment through a tunnel, as is proposed by the rival Channel Tunnel consortium. Nearly a third, 31 per cent, would rather carry on putting their car on a ferry, as they do now.

The advantages of a fixed Channel crossing were seen to be speed of journey (37 per cent), increased employment in Britain (28 per cent) and increased trade (28 per cent). About a quarter of the respondents also thought freedom of choice of transport and the ability to cross without booking a passage were important.

UK NEWS

Lords urge action to revive manufacturing

BY CHRISTIAN TYLER, TRADE EDITOR

ACTION IS needed to revive Britain's manufacturing industries and their exports because of the decline, already begun, in foreign earnings from North Sea oil, says a report of the House of Lords select committee on overseas trade published today.

The committee finds that Britain's weak export performance and high import penetration has been due to poor investment and cost competitiveness and what it calls "*cultural factors*."

The immediate cause, however, has been the high level of the sterling exchange rate – due to domestic policy and North Sea oil – between 1979 and 1982.

The surplus of oil trade is probably already at its peak. "It would be prudent for Britain to plan on the basis that there may be no oil surplus by 1990 and a deficit again by the end of the century."

Government action to stimulate *manufacturing is needed for two* main reasons, the committee says.

First, the service industries cannot replace the lost earnings and jobs in manufacturing because many services depend on manufacturing and only 20 per cent of the service sector can export its product directly.

Second, there is no reason to expect any automatic resurgence of manufacturing and trade when the *North Sea oil surplus declines.*

The committee justifies the second assertion by saying that the UK trade deficit in manufactures – which began *in 1983* and *was* the first since the Industrial Revolution – was "not the *inevitable* consequence of the advent of North Sea *oil." Moreover, the exchange-rate* effect of North Sea oil is uncertain.

It also argues that new industries and products need a long gestation period, *that lost export* markets will be difficult to regain, and that lost manufacturing capacity will take a long time to restore.

Services, overseas investment income and inward investment cannot fill the hole in the current-account balance that will be left by the loss of the oil surplus.

It predicts a crisis *for the British* economy unless the UK's manufacturing base is enlarged. The "adverse effects" would include the *contraction of manufacturing* industries to the point where they cannot continue and an "irreplaceable" loss of gross domestic product.

The report also warns of a balance-of-payments crisis so severe as to require severely deflationary measures, lower tax revenue for welfare and defence, higher and persistent unemployment and a stagnant, inflationary economy with inflation compounded by a falling exchange rate.

The report lists several remedies, most of which will be familiar to the business community.

At the head, it puts the need for a propaganda campaign to raise the status of manufacturing industry. Pay settlements should have regard *to the competitiveness* of each enterprise's goods; more attention should be paid to quality, design, market research, delivery and after-sales service.

Other recommendations are:

● There should be a bipartisan bias in macro-economic policy towards manufacturing and trade. The Government should step up support for innovation and export, including promoting investment, research, training and infrastructure.

● *Greater stability in the exchange* rate should be accompanied by an awareness of the pound's rate against the currencies of countries other than the U.S.

● Manufacturing should enjoy tax support, through capital allowances, and concessions on property taxes through allowances on under-used plant.

● More support should be given to the Export Credits Guarantee Department while a "Buy British" policy *should* be *urged in the retailing* sector

Mineworkers' union to seek court release of its funds

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE NATIONAL Union of Mineworkers (NUM) is to ask the High Court to end the sequestration that has deprived the union of its funds since September last year.

An application to discharge the sequestration order will be made on November 14 to Mr Justice Nicholls, the judge who ordered the seizure of the union's assets when it failed to meet his deadline for payment of a £200,000 contempt-of-court fine imposed during the miner's strike.

On Monday the union will try to rid itself of Mr Michael Arnold, the High Court-appointed receiver of its "income, assets, property and effects."

His success in retrieving and freezing the £8.5m the union sent abroad to try to frustrate the sequestration order has probably been the main factor in the union's change of attitude towards the courts.

Arthur Scargill: told to purge contempt

The main question on November *14 will be whether the NUM will be* able to end the sequestration without apologising to the court.

The union, Mr Justice Nicholls *said* when *ordering sequestration*, "still persists in regarding the law of this country as applicable to others and not to itself."

Last week the union's national executive told its president, Mr Arthur Scargill, to purge the contempt and end the pain caused to the union by being deprived of funds, even if it meant him "bending the knee" to the court.

Mr Scargill has in the past resolutely refused that and in the next *few weeks the union's lawyers will* no doubt be seeking ways to purge the contempt without too much loss of face for the union.

One issue to be decided is who will swear the affidavit seeking an end to the sequestration. That is most likely to be Mr Scargill or Mr Peter Heathfield, the NUM general secretary.

One possibility, which would get the two national leaders off the hook, would be for the task to be undertaken by the union's new trustees: Mr Alex Eadie, Labour *MP* for *Midlothian*, central Scotland, Mr Mick Welsh, MP for Doncaster North, in north-east England, and Mr Alan Cummings, a council leader *of Durham, northern* England, and an official of the NUM.

Apology apart, the union can argue that the sequestration has served its purpose. The £200,000 fine has been paid; the NUM's disobedience has cost it about £1m in legal costs, and the court could reasonably say that the union has been punished enough.

Another judge, Mr Justice Scott, ended the sequestration against the NUM's South Wales area without *insisting on an apology. He said in* effect, that if one were offered, it would probably be insincere and that new trustees could not be said to be tainted by the union's misconduct.

UK NEWS

John Moore on the background to the Lloyd's tax settlement

Sighs of relief at Lime Street

THERE WAS an audible sigh of relief among the 300 or so underwriting agents who met in the Lloyd's insurance market to hear the details of Monday's delicate £42.5m agreement reached with the Inland Revenue.

"It is a pragmatic business decision," said one agent after the meeting in Lloyd's elegant Captain's Room in Lime Street, in the City of London. "The tax issue was restricting the future of Lloyd's. There was no way in which we could hold discussions with the Revenue and the Treasury until this matter was resolved."

For the last three years, Lloyd's has had a nightmarish experience with the British tax authorities. In 1982, a series of irregularities was unearthed in the market involving allegations that possibly more than £100m of the underwriting members' money had been misappropriated by working underwriters at Lloyd's who looked after their affairs. The Revenue then started its own inquiries.

The Revenue was gaining for the first time a clear picture of how simple it was for working underwriters to channel money around the world.

Officials in the Lloyd's market were concerned about the degree of plunder that had apparently taken place, in which groups of working underwriters had channelled money from funds belonging to other underwriting members to companies that the working members secretly controlled offshore.

Those offshore companies were usually based in tax havens, such as Bermuda or the Cayman Islands.

The Revenue was alarmed at the possible degree of tax evasion and avoidance that had taken place in some of the dealings that the working members had had with offshore companies.

Essentially the Revenue's concerns centred on two main areas: the use of an obscure insurance device, known as "reinsurance," as a way to mitigate tax liabilities for all members; and the use of reinsurance as a tax mitigation device for the market's professionals.

When Mr Ian Hay Davison took over as chief executive at Lloyd's at the beginning of 1983 he met Revenue officials. He confided at a private meeting of underwriting members later that year that the Revenue was "proposing a draconian investigation into the affairs of Lloyd's."

In effect the Revenue wanted to seize Lloyd's internal documents to discover the extent of undeclared tax liabilities, which it reckoned might run into hundreds of millions of pounds.

The Revenue was angry about the way insurance schemes had been used to avoid or evade tax, as Lloyd's already enjoys considerable and recognised tax advantages.

Lloyd's said that if the Revenue took away documents it would not be able to carry out its investigations. The Revenue, however, was dissatisfied with Lloyd's attitude to the issue and by April 1984 had decided to carry out its own investigations, through the Special Investigations Unit, into all agency companies at Lloyd's.

Revenue officials often turned up unannounced on the doorsteps of red-faced agents, asking to have a look at the books. Thrown into a defensive position, Lloyd's decided to regroup and attack the Revenue's arguments.

An ad hoc committee of underwriting agents was formed, led by Mr Peter Daniels, who sits on the Lloyd's ruling council. A leading Lloyd's underwriter, Mr Stephen Merrett, was planning to allow his syndicate number 417/418 to go forward as a test case with the Revenue and other agents were backing the move.

A protracted legal case loomed between members of the Lloyd's market and the Revenue. The Revenue wanted to reopen tax assessments beyond 1976-77 to prove "wilful neglect or fraud."

At the same time Lloyd's was continuing its central discussions with the Revenue to establish some common ground for the future treatment of Lloyd's tax affairs and some resolution of past difficulties.

The problem became more intractable. It became clear that over 90 per cent of Lloyd's 26,050 members were caught up in the tax wrangle. Moreover, Lloyd's has just passed through one of its worst underwriting accounts for years.

Many underwriting members are facing losses, which in some cases they could not set off as a tax-allowable item in their tax returns.

Until the Revenue had settled its outstanding cases, the members could not receive their tax rebates. The cost of protracted litigation with the Revenue would have exceeded the present £42.5m settlement.

The confrontation came at a bad moment for Lloyd's. The market is desperately trying to recruit members to build up its underwriting capacity.

A poor relationship with the Revenue cast a shadow over one of the main selling points for Lloyd's membership – the market's tax advantages, which potential members might have felt to be in doubt, given the highly public arguments.

So Lloyd's has backtracked. A central settlement is to be arranged in which £42.5m is paid to the Revenue, using the Corporation of Lloyd's assets, including the new building for the market which is almost completed, as collateral for loans from two banks.

Originally, Lloyd's decided against a central settlement, saying that would compromise its principle of individual liability among the 26,050 members.

Already there is disagreement among the members about the equity of the settlement and whether it is right that tax liabilities should be met from funds contributed by the entire membership.

The Revenue felt it would be unfair to pursue the wider membership of Lloyd's further because they had not set up the schemes that had led to the non-disclosure of tax liabilities. The Revenue, however, is determined to bring 25 insiders at Lloyd's to book for their part in designing the schemes that led to the dispute. It is writing to them in the next few days advising them that they are outside the scope of the settlement.

High-tech company bans laughter at work

BY PHILIP BASSETT, LABOUR CORRESPONDENT

EMPLOYEES AT a Taiwanese high-technology computer company in Telford new town, Shropshire, have been banned from laughing at work.

The move, by Tatung, manufacturers of the Einstein personal microcomputer, is the latest and apparently most extreme of a growing number of new practices of factory conduct being introduced to British industrial relations by foreign-owned companies, particularly in the high-tech sector.

Other examples have included the banning of beards and a prohibition on smoking now widespread in many Japanese-owned companies except in specially designated areas.

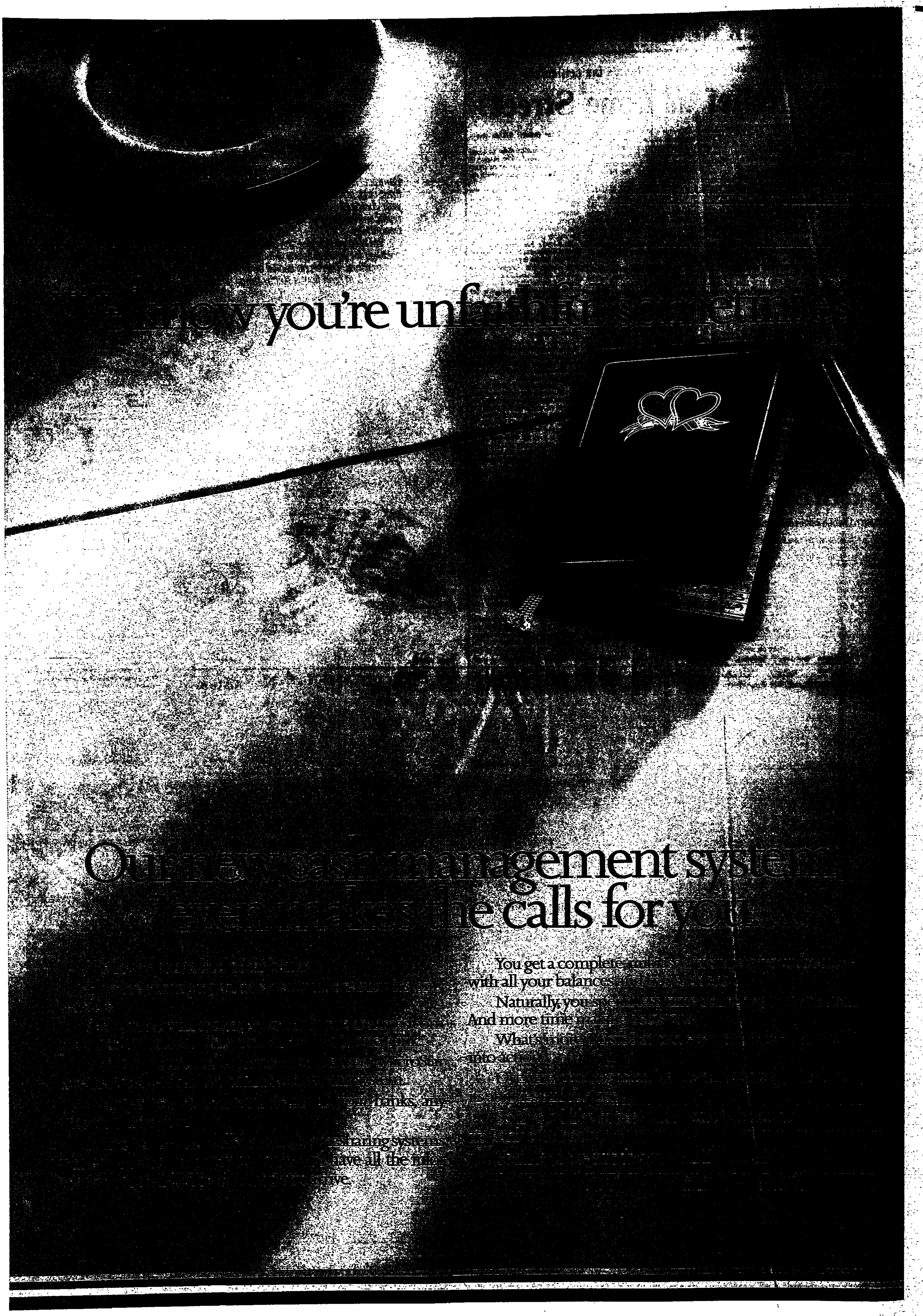
Tatung's instruction to its 800 employees at Telford came last month in an internal memorandum to department heads and line supervisors detailing new efficiency improvements and announcing the introduction of a company tidiness competition.

In a section on work discipline, the document advises supervisors to ensure that employees "refrain from playing and laughing" while they are at their own individual work points.

Other instructions include the banning of all smoking, drinking and eating in the production areas, with a particular provision that there should be no smoking in the lavatories; an insistence that no employee should leave work positions, or loiter in the factory; and that no one should leave work before a buzzer is sounded.

Tatung, which does not recognise trade unions for collective bargaining purposes, is understood to have been concerned that in areas assembling delicate and expensive components for the highly-competitive personal computer market there should be no horseplay or other similar activities by employees that might endanger stocks or production processes.

Mr C. S. Lin, the company secretary, said yesterday that he did not wish to discuss the ban on laughter, although he has made clear that the provisions are already part of the conditions of employment.



مكانه الأصل

UK NEWS

Britain's Eureka hopes gain ground

By Peter Marsh

BRITAIN APPEARS to have moved a step nearer to ensuring that private-sector finance forms a key part of Eureka, the proposed pan-European programme in strategic research, as a result of a meeting in London this week attended by representatives from industry and financial institutions from 18 European countries.

Sir Peter Carey, a former Permanent Secretary at the Department of Industry who is now a banker at Morgan Grenfell, said after the meeting, which he chaired, that the gathering showed a consensus in favour of British proposals on Eureka.

In papers circulated to the meeting, Britain said that Eureka, which is intended to support large-scale research programmes in areas such as transport and electronics, should emphasise market-driven programmes in which industry rather than government had the largest say.

Britain said it would provide no new source of public funds for Eureka, although other countries such as France, West Germany and Italy had indicated that they would give state support.

According to Sir Peter, the meeting, at which no government representatives were present, carried forward discussions about Eureka in some useful directions. For example, it expressed the view that government could aid technical collaborative projects not only by contributing money but by agreeing on technical standards and by tax incentives for private companies that provided funds. He added, however; "We have still a long way to go."

Further talks about the exact nature of Eureka and specific projects that it could support will take place at a meeting in Hanover early next month attended by government representatives and ministers.

Sir Geoffrey Howe, the Foreign Secretary, has said that Eureka is not a formula for simple answers, new bureaucratic structures or old-fashioned government handouts.

Ugandan Asians lose compensation appeal

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

UGANDAN ASIANS expelled by former President Idi Amin in 1972 have failed to win a court ruling that the British Government should take up their claim seeking compensation from Uganda for the confiscation of their property.

The Court of Appeal in London yesterday gave its reasons for not quashing a Foreign Office decision that the British Government could not claim on the Asians' behalf.

Sir John Donaldson, the Master of the Rolls (president of the civil division of the Court of Appeal), said there had been a fundamental change in the Government of Uganda since the overthrow of President Obote in July and the new Government probably needed time to clarify its policies.

The UK Government was discussing the Asians' claims with the new Ugandan Government, although not, it appeared, on the basis of a governmental claim.

In cases with serious implications for the conduct of international relations, the courts should act with a high degree of circumspection, Sir John said.

"It can rarely, if ever, be for judges to intervene where diplomats fear to tread."

Sir John hoped the Asians' claims would soon be satisfactorily resolved. If not, that would be the time for them to seek the court's help if they felt the Foreign Secretary was not doing all he could.

Demand for small business aid fades

By William Dawkins

DEMAND by small businesses for finance under the Government's Loan Guarantee Scheme (LGS) has dropped to an all-time low.

The Government issued only 49 guarantees under the scheme last month, compared with 452 in September 1984. It is thought unlikely, however, that the LGS will be abandoned when it comes up for review at the end of this year.

A Department of Employment official said yesterday: "Ministers are considering the future of the scheme and will announce their intentions as soon as possible before the end of the year. We are aware that there is uncertainty about the future of the scheme, and this may be the reason for the decline in applications."

The steepness of the September drop overstates the underlying decline in LGS borrowing. In the three months to September, the Government issued £5.3m worth of guarantees at an average rate of around 50 a month.

'Racial bias' over home loans

BY CLIVE WOLMAN

BUILDING SOCIETIES have been criticised for pursuing lending policies that discriminate against non-white communities.

Results of an investigation carried out by the Commission for Racial Equality at Rochdale, near Manchester, between 1979 and 1981, were published yesterday. They showed that although 84 per cent of Asians in the town were owner-occupiers, compared with only 53 per cent of whites, Asians were nearly twice as likely to be refused a loan because the properties they wanted to buy were considered unsuitable.

Asians tended to live in the poorer inner-city areas and were thus more affected by the lending practices operated by some of the building societies for which the commission found no adequate commercial justification. Those were a refusal to lend on properties without a front garden, a refusal to lend on properties below a certain price and a refusal to lend on properties in particular areas.

The commission said that those practices had a disproportionate effect on the Asian communities.

United Biscuits begins restructuring

BY CHRISTOPHER PARKES

UNITED BISCUITS, the McVitie's, Terry's chocolate and Wimpy Bar food company, has taken the first step in a restructuring programme by appointing Mr Bob Clarke as group chief executive.

He becomes heir-apparent to Sir Hector Laing, chairman, who has effectively held the chief executive's post since the group was moulded into its present shape from a collection of family companies in 1964.

Mr Clarke's promotion from the managing directorship of UB Biscuits (UK), the company's main operating subsidiary, was announced on Monday. He said more details of the group's plans would be announced in about a month.

"We are looking for a third leg, and it is very likely going to be in restaurants and fast food, he said.

The group is based on two main businesses: biscuits, snacks and other food manufacturing in the UK, and its Keebler biscuits and snacks operations in the U.S.

UB brands, including McVitie's, Crawford's and Carr's, dominate the UK biscuit market with a share nearing 50 per cent when retailers' own-brand sales are included. Keebler is the second biggest biscuit maker in the U.S. after Nabisco.

The restaurant business, built on Wimpy Bars and Pizzaland outlets, will contribute only about 10 per cent of group pre-tax profits this year but the company feels it has growth potential at home and overseas.

Wimpy is the leading UK hamburger restaurant company. Pizzaland is well ahead of the scattered competition with 100 pizza outlets and is opening about 30 restaurants a year, Mr Clarke said.

The company believed the pizza could become a worldwide product like the burger, and it was therefore expanding in Europe and elsewhere.

UB plans to keep its programme of selective acquisition in the U.S., exemplified by its $73m acquisition last month of a Californian olive business.

The group has grown by acquisition and specialised in picking up basically sound companies from companies that found themselves obliged to sell off prime assets.

"We bring in money and management and can do things with them. That is how we got Terry's and Wimpy," Mr Clark said.

The group comprises 17 divisions in the UK and overseas. Pizzaland restaurants are operated under UB Restaurants. Wimpy is a separate business. Biscuits, snacks and frozen foods are run under separate headings.

UB in the U.S. operates Speciality Brands and a sales and marketing company alongside Keebler. It manufactures biscuits in Spain.

Its Westimex subsidiary in Belgium supplies the Croky brand to French, Dutch and Belgian markets.

Contracts and Tenders

ALGERIE - الجزائـر

PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA

ENTREPRISE NATIONALE DES CORPS GRAS

NOTICE OF PRESELECTION

In connection with its purchase of supplies of the following raw materials
—crude colsa/sunflower oils
—copra oil
—linseed oil
—hydrogenated oils and vegetable fats
—tallows
—oil seeds
the Entreprise Nationale des Corps Gras hereby issues a notice of preselction of suppliers for 1986.
The purpose of this operation is to select possible suppliers of these raw materials for 1986. It is to be based on the following criteria:
—Type of bidder: producer/exporter
—Commercial and financial references
All bidders replying to this preselection notice are required to accompany their applications by the following information/documents, to serve as the basis for their "supplier" file.
—Name, nationality of the company, type of business, number in commercial register, capital, legal form of company, date founded.
—Whether a producer, sub-contractor or retail company.
—Head office address, telephone number, telex number.
—Branch offices.
—Banker's name, address, telephone number, telex number, company's account no.
—Product list.
—Numbers of employees in 1981, 1982, 1983, 1984, 1985.
—Balance sheets for 1981, 1982, 1983, 1984.
—Trading accounts for 1981, 1982, 1983, 1984.
—Company's memorandum and articles of association, plus a list of the main shareholders.
—Fiscal situation in Algeria and in the country of the head office.
—List of key management personnel.
—Capital breakdown if the company is a limited company.

Replies to this preselection notice must be sent to the following address:

Entreprise Nationale des Corps Gras, Direction Commerciale,
13 Avenue Mustapha Sayed El Ouali, Algiers,
no later than 15th November 1985, the final closing date

anep/alger

Management Courses

Company Notices

VLAKFONTEIN

Vlakfontein Gold Mining Company Limited
(Reg No 05/06155/06)
(Incorporated in the Republic of South Africa)

REDUCTION OF CAPITAL

At the annual general meeting of members held on 14 October 1985, a special resolution was passed reducing the authorised and issued capital of the company from 35 cents per share to 20 cents per share. Application is being made to the Supreme Court of South Africa (Witwatersrand Local Division) for confirmation of the reduction of capital. Members will be informed by circular in due course of the outcome of the application.

Gold Fields of South Africa Limited
Secretaries
per C. Weatherston

15 October 1985

A Member of the Gold Fields Group

NOTICE OF REDEMPTION TO NOTEHOLDERS OF OLIVETTI INTERNATIONAL S.A.

U.S.$35,000,000

9¼% Guaranteed Notes due 1986

NOTICE IS HEREBY GIVEN that in accordance with the paragraph "Redemption and Purchase" of the terms and conditions of the Notes, Olivetti International S.A. has elected to redeem all the outstanding Notes of the issue on 18th November 1985.

The Notes will be redeemed at 100¼% of their nominal value for the principal plus interest to the date set for redemption which amounts to US$45.50.

The Notes will cease to accrue interest from 18th November 1985. The Notes will be redeemed upon presentation and surrender together with coupon No. 7 due 31st May 1986 attached at the offices of:
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—European American Bank & Trust Company, 10 Hanover Square, New York, NY 10005, USA
—Banca Commerciale Italiana, Piazza della Scala 6, 20121 Milan, Italy
—Istituto Bancario San Paolo di Torino, Piazza San Carlo 156, 10121 Turin, Italy
—Société Générale, 105 Old Broad Street, London EC2P 2HR, United Kingdom.

Dated 15th October 1985

Banque Générale du Luxembourg S.A.
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Personal

TECHNOLOGY

EDITED BY ALAN CANE

Starfish saves trouble at t'mill

It used to take months to check that batches of cotton knitwear from different suppliers would be uniform. Now it takes only minutes, writes Anthony Moreton

BRITISH Home Stores sold ladies' plain 100 per cent cotton T-shirts this summer for £3.99. Nearby, on its men's counters, the group still has cotton briefs in two-pair packs for £3.50.

Both T-shirts and briefs are made for BHS by three suppliers, a common enough arrangement in the chain store world where demand for a particular item might amount to as many as 144,000 in a season.

Achieving uniformity of production from a variety of suppliers has always been a difficult problem for the stores. Now a computer system called Starfish, developed by the International Institute for Cotton in Manchester, has overcome most of the obstacles.

BHS has 166 stores around Britain. Until about three years ago, it achieved uniformity by a laborious system of trial and error. It would liaise closely with garment maker, dyer, spinner and everyone else in the production process to ensure each batch of goods was as close as possible to every other.

A piece of cloth would be spun, washed, dyed, finished and knitted to certain specifications and, if acceptable, those specifications would be passed on to all BHS's suppliers.

This procedure was time consuming and expensive. Sometimes it took as long as six months while a knitter tested variations in yarn count, fabric weight, dyeing propensities and other properties.

It was necessary because each supplier bought his yarn from a different source, perhaps even from a different country, had it dyed in a different dyehouse and finished at a different place.

Today that process need take only about five minutes — the time it takes to run a programme through Starfish, which BHS seized on eagerly three years ago.

The systems advantages are now beginning to show in the quality of goods on sale. "What the customer looks for," according to Mr Rex Fenn, dyeing and finishing technologist at BHS, "is price, style and quality. We can now give it more efficiently.

"The clothes themselves may not seem any different to the shopper but Starfish has led to an enormous improvement in quality and handling."

His colleague, Mr Barry Challands, kitwear technologist, explains: "Knitters work to within 2½ per cent of specification. That means there could be a 5 per cent difference in the yarn and therefore in the finished article.

"This variation led to our having a considerable problem with returns. Five years ago, in 1980, garments returned or taken off our counters because of a lack of uniformity cost us £2m.

"Within 18 months of Starfish being adopted we had cut that by half. Returns are now virtually nil."

Starfish, developed under Mr Frank Burkitt, director of IIC's research centre in Manchester, is essentially a software package but there can also be some input from the institute's own records. The computer system is operated from Manchester though it would be possible for users to have their own terminals and question Manchester directly from them.

"We have not gone down that route," says Mr Burkitt, "because it would involve a continuous programme of updating. We think it more sensible for the inquiry to be sent to us and we feed it into the system."

Starfish essentially describes relationships between what the knitter does, what the finisher subsequently does and the properties of the final product. The in phrase for all this, says Mr Burkitt, is fabric engineering.

"The programme was developed with the knitter particularly in mind. A lot of knitters had been so used to working with man-made fibres such as polyester that they were unable to make the switch to pure cotton when demand for the natural fibre began to rise again a few years ago.

"Knitting polyester is relatively easy because it can be heat set. There is no equivalent process for cotton because it is a natural fibre and reacts to heat quite differently."

With cotton, one knitter might buy a yarn from Greece of a certain quality, another from America of a slightly different quality. Each will respond differently to being spn, dyed or mercerised.

The advantage of Starfish is that each of the qualities can be fed into the computer and the reactions of each process recorded. In this way, the quality of the yarn at any given stage of the production process can be monitored and a degree of unity established between the different routes to the final product.

It is the analysis of each route, and the attainment of uniformity among them, that used to take so long and can now be achieved quickly.

Demand for cotton knitted goods has been growing steadily for some years and the fibre has made significant gains in both Europe and Japan according to Mr Roy Keeling, London-based UK director of the institute.

Man-made fibres continue to dominate the market but cotton's shares rose from 22.6 per cent in 1975 to 28.8 per cent in 1983, the last year for which figures are available. Mr Keeling says that the strong growth is continuing.

At about the same time as cotton began its come-back, knitted fabrics became increasingly important in outerwear, where the finish has to be of a higher standard than in the more traditional knitted lines in underwear. There had, in particular, to be less shrinkage.

This is important because Britons are buying more tumble driers. About a third of homes have them and the figure is rising. The shrinkage factor introduced by such equipment has to be countered.

Achieving higher standards was, however, made more difficult because the characteristics of a knitted garment are influenced by a large number of variables — yarn count, stitch length, choice of knitting machine, choice of dyeing or finishing route or the final width of the fabric.

The effect of changing any of them is unpredictable. When one was changed in pre-Starfish days the knitter and his client — the stores group — had to carry out a large number of empirical trials.

"Until 1980 this was a necessary but expensive way of doing things," Mr Burkitt says. "Through Starfish these seemingly endless permuations can be put on computer and the knitter can see the consequence of a change in, say, the yarn count on one of the other variables in a matter of minutes."

One knitter to have used Starfish to advantage is W E Atkins, of Hinckley, a traditional centre of the East Midlands knitting industry.

Mr Tom Atkins, the production director, says the new process has saved considerable time and made a major contribution to the company's work.

"When we decided to put in a small plant of body-width single-jersey machines we faced the problem of getting the specifications exactly to BHS's demands.

"BHS told us the weight and width it wanted. I rang the institute in Manchester immediately with the details, gave it the needle count on the machines and had a telex back from Manchester the same day. We had the garments in BHS the same week. Using the old ways we could have been months undertaking trial and error before getting the fabric right.

"Using Starfish we can sign and deliver the contract before we would have previously completed trials."

Starfish has its limitations. It is applicable only to the production of knitted cotton fabrics because the shrinkage factor is not nearly so severe in woven clothing.

But the system does have compensating international advantages. Although it originated in Britain it is available to all garment making countries irrespective of location. Other countries have shown interest, especially the U.S., India, Denmark, Sweden, France, West Germany and Brazil.

"We want Starfish available in every country where cotton is an important fibre in clothes production," Mr Burkitt says.

Quality control: Tom Atkins (centre), production director of W. E. Atkins, discusses a sample with British Home Stores' Barry Challands (left) and Frank Burkitt of the International Institute for Cotton

Device for measuring components

TESA METROLOGY of Telford, Shropshire, is offering a bench-mounted instrument which makes it possible to check small cylindrical components quickly by a non-contact method which uses a combination of optical and computer technology.

The component, suitably supported, is moved past a light source to produce a magnified image of the profile which is projected on to arrays of tiny light sensitive photodiodes.

To measure the workpiece diameter, the computer counts the number of diodes covered up by the profile image. Signals from the stepping motor used to move the component are interpreted by the computer to give a measurement of component length.

The resolution of the optical system for diameter measurement can be varied from 0.0005 to 0.1 mm and the stepping motor provides length measurements in 0.0024 mm increments.

A computer software package is available to provide statistical analysis of inspection data and this can be printed out or stored on disk or tape. More on 0952 581923.

Innovation may help analytical chemists

A TECHNIQUE for improving the performance of chemistry workers handling complex scientific instruments may be among the first innovations to emerge from Hewlett Packard's research centre, set up in Bristol a year ago.

The centre complements five other scientific establishments (all of which are in California) run by Hewlett Packard Laboratories, the strategic research arm of the U.S. electronics concern.

The innovation is founded on work in knowledge-based computer systems, a subject under special investigation by the laboratory's staff of 50—a number due to treble by 1988.

An "expert system"—a computer containing a set of rules to make interaction easier—is built into a scientific instrument, for example, a machine to record the spectral characteristics of a group of chemicals.

By interrogating the system, which would include background knowledge about, for instance, previous cases of spectral analysis, a scientist would find it easier to interpret the readings from the instrument. Chemical samples could be analysed more efficiently as a result.

The work is one of several programmes in areas related to artificial intelligence at the Bristol centre, whose work in information systems is headed by Dr John Taylor, an ex-Defence Ministry scientist. Other areas include:

- Signal understanding. In this work, computers could be taught to understand speech patterns to make communicating with machines easier. Another application is in instruments to monitor the condition of patients in hospitals or the status of factory machines, where computers may need to interpret a mass of complex data extremely quickly so they can alert human supervisors in the event of an emergency.
- Software engineering. This encompasses techniques to produce complicated computer programs—for instance to run large batteries of factory systems — both quickly and in such a way as to guarantee the software's reliability.
- Network systems. Advanced computer programs are needed in sets of hardware to link up computer equipment made by different companies or which use different software protocols.

Aluminium for radiators

BRITISH ALCAN is launching an extruded aluminium heating radiator which is lightweight, efficient and will not corrode.

Aulminium, says Alcan, is about one-third the weight of steel and about 2.5 times more efficient as a heat exchange material. For the same radiated heat, the aluminium unit is considerably smaller and lighter than its steel equivalent.

The new units, called Alurad, are only 30mm thick and will emit 3kW of heat per square metre of face area.

A further advantage is that, for the same heat output, an Alurad unit contains only a quarter as much water as its steel counterpart. The unit therefore takes far less time to heat up and cool down which means quicker response to the demands of the controlling thermostat.

Because they are smaller than steel ones of equivalent output, they look less obstrusive, and during installation, the plumber has less weight to carry—which can be an important factor with larger sized radiators.

Alurad radiators are more expensive than their conventional competitors, but the company says the total heating system cost in aluminium is typically only about 10 per cent higher than in steel.

There is little internal corrosion of the radiator surfaces, but Alcan includes an inhibitor pellet which, dissolves when the system is fired up and lays down coating. This prevents electrolytic corrosion between between copper pipes and aluminium entries.

More on 0295 4444.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

General Electric

A radical experiment at Bromont

Self-management is the order of the day at the giant U.S. group's plant in Quebec. Terry Dodsworth reports

ONE OF the first things you notice at General Electric's dazzling new plant at Bromont, Quebec, is that it is not easy to gauge the status of anyone in it. Some employees are more or less identifiable as production line workers, and others as managers. But the sense of grade and hierarchy which is so palpable in a conventional factory is all but absent.

The disorientating lack of obvious lines of authority is deliberate. General Electric, the sixth largest U.S. manufacturing group, has chosen Bromont, a small community in the expansive St Lawrence plain, as the site for a highly original approach to plant management. Normal demarcation lines have been swept away in favour of a team concept of organisation, and traditional controllers and supervisors have gone, along with the rest of the familiar baggage of industrial management.

"Our philosophy is to try to allow people to manage their own jobs as responsible human beings, and to behave as though they were managing a business for themselves," says Dick Pelletier, plant manager, and the nearest Bromont comes to having a managing director.

"We believe people are honest hard-working, self-disciplined, and like to do a good job," says Bruna Nota, an organisational expert. "This implies a very different type of management than if you think they are lazy."

This thinking results in a plant where:

- There are only three basic strata in the managerial organisation;
- Everyone is on a salary;
- Anyone and everyone works overtime when necessary for no extra pay;
- Members of teams do a variety of jobs, often ones for which they are overqualified—like the operator of a complex machine tool who sweeps the floor when it is his turn;
- There are no time clocks;
- The intensity of training is very high.

Bromont began with certain advantages in launching such a radical departure from standard North American practices. For a start, the plant had a fairly well-assured future, since it came into being as a Government trade-off to bring work to Canada in return for an order of U.S. F16 military aircraft.

Second, it was a smallish operation, designed, because of the requirements of the order, for around 450 people. Third, the kind of work involved—the manufacture of small vanes and blades for the compressor in a jet engine—lent itself to job shop techniques rather than a fast-moving production line. Employees *inherently* have more control over their work at Bromont than they would have, say, on a television assembly line.

Pelletier says that he aimed from the beginning to develop a fresh style of participation at the plant. No specific organisation, however, was advocated. "We were given a budget and told to work out a plan for ourselves," he says.

The idea of abandoning the traditional authoritarian reporting system in favour of teams seems to have emerged right at the start among the project leaders. Executives on the programme developed collaborative working methods that endured and became part of the Bromont system. Today, the plant manager is a sort of *primus inter pares*, operating in a collegiate type of structure *where decisions* are deliberately shaped by the whole team of eight senior managers.

Below this top management committee, the whole of the plant is organised in two main sub strata—"A" groups and "B" groups in the virtually neutral Bromont language.

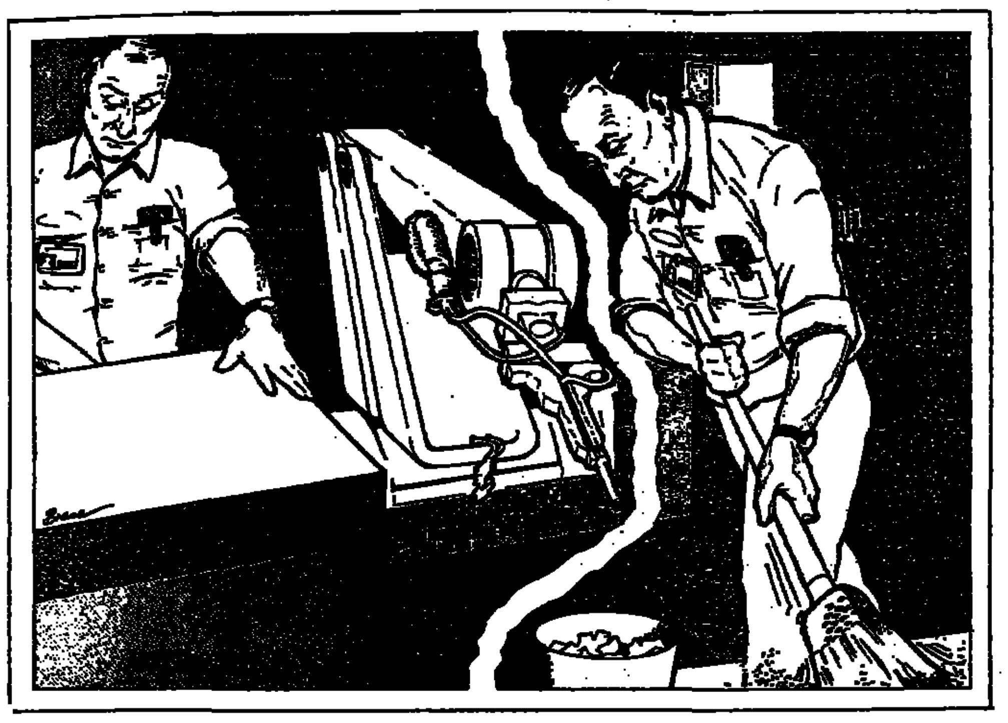
"A" groups comprise what would normally be regarded as the middle management class of the factory. They are composed of staff-type executives—production and quality control, methods and planning and so on—who have a mainly advisory relationship with the "B" groups. The "B" groups contain the production workers.

In order to devolve as much authority to these groups as possible, the factory has been divided into a number of semi-autonomous areas. On the production side, for example, there are three main working structures, or "businesses," as Bromont calls them, including the forging and machining activities. On the support side there are a number of other independent organisations, covering functions such as tooling, maintenance and advanced engineering.

Within each business area, "A" and "B" team members form one joint organisation per shift on a three-shift basis. Each group is expected to act like an independent business, responsible for its own materials, processing, inventory control and so on.

Within the groups, demarcation lines have been kept to a *minimum*. Each *shift has* a leader, but different people take on the role depending on the needs of the moment and the wishes of the group. Usually the leader is an "A" member, but suitably qualified "B" members can take on the role

Jobs are equally flexible. Roles are repeatedly switched between workers. Pay is tied to qualifications and the overall *production of the factory rather* than individual output.



Team members at General Electric's Bromont plant do a variety of jobs—for example the operator of a complex machine tool will also sweep the floor when it is his turn

The most pronounced aim of Bromont's organisational structure is to engage the entirety of the plant in responsibility for its success. Pelletier agrees jokingly that if things go wrong it is his head that is on the block; in a strategic sense, GE is clearly the final arbiter of its performance—it is the parent company that provides the capital, decides what it makes and will, in the end, control its destiny. But internally, Bromont's organisation is intended to encourage everyone to behave like a manager responsible for performance.

The eradication of the customary factory hierarchy has led Bromont to come up with some novel answers on a number of organisational points. For example:

The hiring of new employees is no longer the sole responsibility of a separate personnel department. The teams in which the new member of staff will work both interview candidates and make the crucial decision on whether to take them on. "The process creates an element of *belonging* and a *sense* of ownership," says Nota. Similarly, the teams can propose shedding members if they are not pulling their weight.

Pay, broadly based on comparable earnings elsewhere, is determined by skills acquired—particularly after joining GE—rather than the job a worker is actually performing. This concept does two things—it allows a high degree of flexibility within the work teams, where employees can switch around with a freedom that would be unheard of in a typical unionised plant, and it puts a premium on acquiring more skills.

The emphasis on the knowledge base of the Bromont workforce is important because of the high degree of automation in the plant. Early on in the project, Bromont's senior managers decided to try and take automation a step further than at the group's Rutland plant in Vermont, which originally acted as the model.

They have sought to instal as flexible a production process as possible, based on robots that can be re-programmed for different products if necessary, and a high level of computer control on the shop floor.

All this requires constantly developing the skills of the worker on the production lines. Indeed, employees spend around 10 per cent of their time on education.

Although this implies heavy investment by the company, both in terms of time off the job and in higher wages payable to better qualified workers, Pelletier is fiercely insistent that the process pays for itself. "We are not going to be able to educate people fast enough to keep up with the technology," he says.

The organisation of production is left to the team, working within broadly established objectives. The company's rather grandly entitled philsophy statement says that goals should be *developed jointly* by management and the work teams, with "regular performance feedback provided in the form of periodic reports on product quality, costs and schedule attainment."

Output standards at Rutland were used to establish a base line target for Bromont's production. If the working groups fail to meet the standards, they have to work overtime. If they over-achieve, they receive a bonus as part of a plant-wide award.

There is no compulsion to work overtime, but there is considerable pressure to perform up to the standards. "I have had people come to me and ask if they should work overtime," says Guy Giard, the senior manager in charge of manufacturing. "I *tell them that they* have got their budget and their schedule. It is up to them."

This approach puts the onus on the team to discipline itself. If an individual worker, for example, is consistently late, or fails to do an appropriate amount of overtime, it is in the interests of the rest of the team to put the pressure on.

Equally, the pay system is devised to put the main emphasis on effective collaboration rather than on individual performance. There is no extra pay, for example, for night shifts—everyone simply has to work nights when his or her turn comes round.

Bonuses are also shared by all the "A" and "B" workers in the plant, with the only differentiation being based upon the hours which an individual has worked.

Bromont has avoided a profit-sharing system, because profits may depend upon factors outside the control of the workforce. Instead it has two gain-sharing schemes. In one of these, employees share the gains made over the target production rate; in the other, they receive some of the savings the plant is able to make on its variable overheads, such as electricity and telephones.

After less than two years' experience at the Canadian plant, it is impossible to say whether the new systems will be durable, or to judge the extent to which they can be transported into other factories. But it is hard not to be impressed by the infectious enthusiasm of the people who have made it work up to now.

"You have the impression of working here for yourself, not someone else," says one of the senior managers. "We have all seen a lot of things on production lines in the past that we did not want to duplicate," says Pelletier.

Ultimately, of course, the future will be decided by hard-headed judgments on the economics of the operation. On this score, Bromont, situated in French-Canadian *territory*, has paradoxically become a pace-setter for trends that are becoming more apparent every day in the U.S., as management comes up with new policies to meet the competitive challenge from overseas.

First is the idea that participation could be a viable option to the authoritarian methods that have produced unco-operative and somewhat unadaptable workforces. Significantly, Bromont is not a unionised plant, and aims to avoid the rigidities which are often attributed to unionisation. "If the need arose for a union intermediary, our open door policy would not be working," says one manager.

Second, U.S. management seems to be moving towards the *belief* that the *increasing* use of "intelligent" programmable machines on the shop floor will put a premium on a knowledge-based workforce. Employees on the production line will in future have to "manage" their jobs in a way that was unthinkable when they were required to perform repetitive, simple tasks on the production line.

"The more the structure requires employees to be fully involved in their jobs and problem solving, the less the management intervention that is required," says Nota.

Third, Bromont's participative style is beginning to show results in terms of performance. With a workforce in which many people have only had six months' experience, it has already reached and bettered *Rutland's* hourly output in sets per man. Within two years, Pelletier expects its costs of production, now 20 per cent over Rutland's, to be around those of its sister plant, while return on capital should pass Rutland's within two years. Quality, which is controlled on the line with no inspectors, has been excellent, he says, and absenteeism is running at levels well below the GE average.

The Bromont management team says that GE is not using the plant as a guinea pig, and that it would not expect its methods to be exported lock, stock and barrel to other plants in the group. But it would be extremely surprising if its progress were not being carefully monitored back at headquarters as GE ponders on the future of manufacturing in the U.S.

Management abstracts

A cost-effective internal control system. T. R. Compton in Journal of Systems Management (U.S.), May 1985 (5 pages).

Points to the increasing attention being paid to internal controls in computer system design; describes a methodology for evaluating the exposure to risk in the system, assessing the potential loss, and devising the most cost-effective combination of controls.

Introducing new technology humanely. D. R. Conner in Training and Development Journal (U.S.), May 1985 (3½ pages).

Asserts that when technological change causes user resistance, the human resources development function should step in and guide data processing and other specialists (as well as senior management) in the special skills needed to install new information technology in the workplace; in developing this theme, shows that this approach involves transforming the traditional EDP technician into a facilitator of technological change.

Inventory management techniques. J. H. Blackstone & J. F. Cox in Journal of Small Business Management (U.S.). April 85 (6½ pages)

Reviews alternative approaches to reducing stock-related costs using micro-based systems which review stocks either continuously, periodically, or on a "time-phased method" (based on forecasting varying patterns of demand). Finds continuous reviews to be the most expensive, requiring the maintenance of a perpetual inventory.

Bomb threats. C. A. Pushong in Security Gazette (UK), Aug 85 (1½ pages)

Describes the characteristics of a "hit-man" or "bomber;" provides guidelines for dealing with bomb threats (which are usually made over the telephone or by anonymous letter), and letter, parcel and package bombs; details action to be taken for suspect mail. Stresses the importance of remaining calm, informing the police, and not touching the article in question.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

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THE ARTS

Television/Christopher Dunkley

The week that was

MONDAY
BBC1's *Six O'Clock News* is a considerable improvement on the other programmes which have filled this slot during the last 15 years or so, but the BBC really should have the courage of its convictions when it goes for a more popular style of journalism. Rather than admit that BBC reporters have themselves adopted a Mirror/Sun approach it nervously dumps its populism on to a mythical "they." Thus the reporter in Tottenham says "In the block of flats they call The Concrete Jungle . . ." when he means "The block of flats *I* call The Concrete Jungle" and Sue Lawley declares "They're calling it the worst night of rioting in Britain" when she really means "*We're* calling it . . .".

TUESDAY
Just suppose that a million Britons were allergic to strawberries and a thousand allergic to the yellow dye tartrazine: which should be banned from supermarket shelves? The answer, surely, is neither. As far as possible we should be informed of any dangers in food by manufacturers and retailers, and allowed to make our own choices. There are people who have the most terrible reactions to chocolate or cheese, yet no sane person campaigns against their sale. Thames Television's programme *Good Enough to Eat?* took a tunnel-vision view of "additives" which were prejudged to be A Bad Thing. The programme never approached the fundamental questions — how do you define an "additive" (salt?), how do you stop customers choosing bright red jam with dye in preference to pale pink jam without?—but simply set out to strengthen a preconception.

WEDNESDAY
Princess Diana is clearly not one of the world's great intellectuals; why should she be? We are told that when bathing her children she likes to listen to Radio 1. That suggests her tastes are similar to those of the majority of British mothers, but if her attitude towards her children's television viewing is also representative—and I suspect it may be—we should be worried. According to today's newspapers the Princess, while visiting Camberwell, expressed her anxiety about the way her son behaves after watching programmes like *Bergerac* and *Starsky and Hutch*.

This tells us little about Prince William but a lot of modern parentol control and guidance. Had Princess Diana *declared* "I'm *worried* about the way William behaves after a couple of stiff gins" public response would have been pretty terchant. So it should be when we discover (assuming these reports are accurate) that the future King of England, at the age of three, is being allowed to watch *Starsky and Hutch* and *Bergerac*.

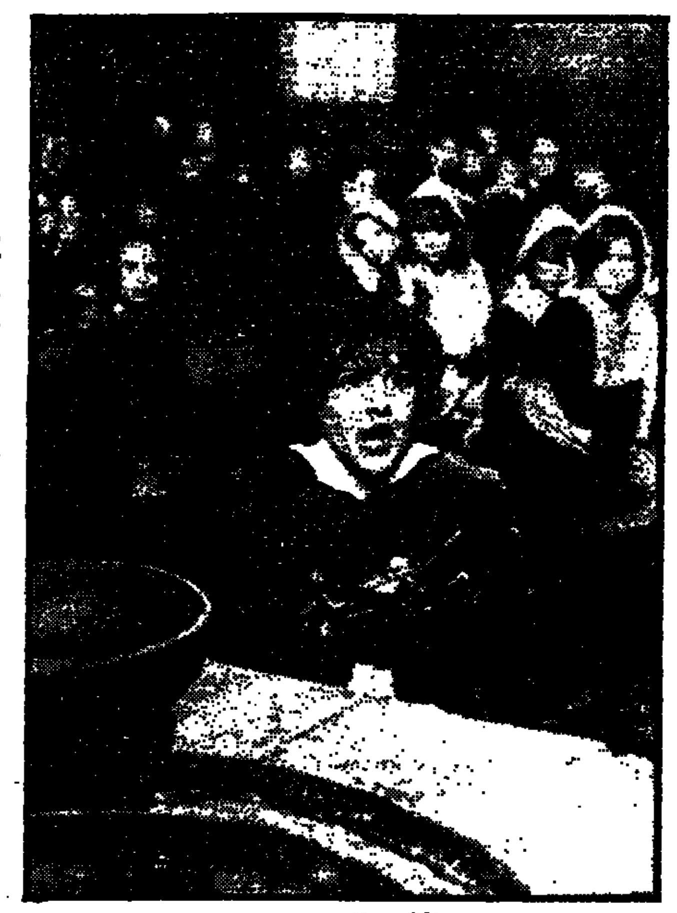
THURSDAY
Birds of a feather flock together and no doubt all of us are most interested in people like ourselves, but the first episode in a new series of *40 Minutes*, called "In Between Days" showing the life of a 16-year-old in Newport Pagnell suggested that the thoughts and conversation of a suburban English teenager in 1985 are of no conceivable interest except to another suburban English teenager, and even then *only if* he or she attends the same school.

Were we really as dull and conventional as this when we were 16? I seem to remember staying out all night at Eisenstein marathons and jazz cellars, marching from Aldermaston, and launching a magazine every month or so. Perhaps we were odiously precocious, but everyone else seemed to be doing similar things at the time. Perhaps, on the other hand, this programme told us mainly what happens when you follow a teenager around with a film crew, or—even odder—when you set up the camera in restaurant, bicycle shed or front room and then expect the poor chap to come in and act naturally.

FRIDAY
Yet another commentator, this time in The Spectator, reports wonderingly on Robert Towler's description at last month's Royal Television Society convention of a research project in which families switching on their televisions were automatically videotaped themselves. Towler's extracts showing viewers eating, talking, sewing and wandering out of the room seem to have caused astonishment among broadcasters and journalists. But what on earth did they expect from such a presentation? Naturally Towler chucked out all the hours and hours showing people quietly watching the screen and selected the "interesting" bits. And of course people read and sleep and do all sorts of even more enjoyable things in front of the set—what did they suppose "TV dinners" were? The really interesting question would be whether viewers in all socio-economic groups behave the same while viewing but Towler could not tell us that because all his subjects were lower middle class.

SATURDAY
Printing used to be licensed and controlled by the state so that only officially approved material appeared, but eventually the business became so manifold that, in a democratic country priding itself on freedom of expression, sanctions could only be imposed (as in most other activities) retrospectively via the law courts. Television has hitherto been licensed and controlled—directly or indirectly—by the state, but now a change similar to that in print is beginning to occur, and today's story about Carlton Communications trying to take over Thames Television represents one more brick in the wall.

The Independent Broadcasting Authority said it would oppose Carlton's £82.5m bid for Thames, largest of the ITV programme companies. Yet it seems that Carlton is considering proceeding with its bid, whether the IBA likes it or not and whether or not it is willing to transfer Thames's London region franchise. But what would be the point of Carlton buying Thames without its profitable franchise? Actually Thames made a £4.8m loss on its franchise in Britain last year but a profit of £13.6m on overseas sales. Why shouldn't Carlton buy a television production company with a programme library worth, perhaps, £100m and a highly skilled workforce and simply carry on as an independent? It would, of course, be the largest independent in the UK, but so what? The IBA could put the London weekly franchise up for grabs again, assuming anybody is still interested in such a thing.



Scott Funnell as Oliver

SUNDAY
Listening to the members of the workhouse board in BBC1's new adaptation of *Oliver Twist* it is chilling to realise how like some members of the Thatcher Cabinet they sound. Can we really need yet another *Oliver Twist?* Of course we can; it is a powerful story and one production per decade would not be too many. Scott Funnell in the title role not only acts well but looks uncannily like Sir John Millais's "Bubbles."

Melvyn Bragg's *South Bank Show* proves yet again that in programme making there is no substitute for the true enthusiast, and incidentally in an arts series of this sort no substitute for the powerful editor/presenter. Here the enthusiast was Bragg himself, and the subject Peter Ackroyd's new novel "Hawksmoor," a splendidly spooky investigation of the character of London and the significance of time. Bragg, an experienced novelist himself, is at his best when interrogating other novelists about motives and methods. Sitting in Wren's house on Bankside opposite St Paul's, he asked Ackroyd all the right questions about why he wrote "Hawksmoor," and how, and was wonderfully well served by David Thomas's dramatisations from the book.

Since Ackroyd, not yet 40, is the former literary and managing editor of The Spectator, has already won the William Heinemann, Whitbread and Somerset Maugham prizes, and somehow manages every week to turn in a book review for the Sunday Times, a television review for The Times and a film review for The Spectator while working on outstanding biographies, poetry and novels of his own, there was justification for a programme about him rather than simply his latest book. Given that the novel was the choice, however, this programme was a model of the way that television can bring a book to life .

The Decorator/Watford Palace

Michael Coveney

Not a bad farcical potential lurks within this new play by Donald Churchill for the Watford Palace, that most pleasingly restored and charming of Edwardian theatres. An out of work actor, Walter Page, is a floating decorator dispatched to a Knightsbridge flat where the adulterous wife, Marcia Hornbeam, is about to be visited by her lover's outraged wife. Marcia's husband Reggie, big in forklift trucks, is about to return from Bahrain (he never does); her lover is lying low (he never surfaces).

A tamely farce would have brought them both on. Instead, Walter, a civilised chap who listens to Radio 3 while sloshing paint and who quotes Boccaccio in a crisis, finds himself "cast" in the role of Marcia's returning husband when he should have been applying two coats of mango gloss to the businessman's study. The fact that Christopher Benjamin was a memorable Crummles in the RSC's *Nickleby* (on which Watford director Leon Rubin also worked) gives a clue to how he sets about the task. With crudity, relish and panache.

The piece disintegrates as a farce but gathers steam as a modern dress version of "Bottom's Dream," a disguised rude mechanic finding fantastical sexual bliss in the arms of the incensed wife. Mr Benjamin and Meg Davies as the not so plain Jane enact their orgasmic bower scene offstage only to dump Walter in a crisis: Marcia has crept back in to hear improvised insults about her own performance rating and renews her challenge in a black negligée.

On the way, Mr Benjamin and Thelma Whitely as Marcia rehearse their act for Jane. It emerges, unequivocally that Walter is a very poor actor. Good comic point. No wonder he paints apartments and was last seen on television as a French peasant holding up wool for the tricoteuses ("John Gielgud plays a lot of my parts," he adds, pathetically). Mr Benjamin, one of our finest unsung actors, turns in a genuinely funny performance as Walter/"Reggie", sporting his alter ego's trews that stop four inches above his shoes and warming to the task with hilarious unscripted additional effects of moustache and spectacles.

At this level, Leon Rubin's production is fine. As a farce, though, the script needs not so much a doctor as the full resources of an accident ward. Truthfulness of character and situation is non-existent, except where provided in Mr Benjamins' thespian capers. Vases are smashed and chairs fallen through, but the physical mechanics are either sloppy or inept and frequently both. Martin Tilley's design is handsome and opulent, cleverly fudging the unused study area.

Chris Davies

Meg Davies and Christopher Benjamin

Robert Mayer memorial/Barbican Hall

Dominic Gill

In 1975 I was attempting jointly with the conductor Richard Bernas to organise an ambitious new-musical project. One of my first tasks, after establishing a committee, was to approach potential patrons and ask them if they would be willing to lend their names to the venture, on the strict understanding, of course, that they would not be called upon to *do* anything at all.

All of the distinguished list of names whom I approached accepted, and all of them reiterated in their acceptance the vital provision that nothing should be expected of them beyond their nominal support. All, that is, except Sir Robert Mayer, just past his 96th birthday, whose reply was as follows: "Thank you for your exciting invitation, which I am honoured to accept. I am only worried by one thing, and that is your insistence that I do not have to do anything as a patron. I have never been a sleeping partner in any venture in my life. Please telephone to arrange a meeting as soon as possible so that you can tell me what I can do to help. . . ."

And he meant it. The project eventually foundered for lack of Arts Council support. But in the months following his letter Sir Robert was prolific with encouragement, advice, and irrepressible enthusiasm.

The concert in his memory at the Barbican on Monday night, given by the BBC Symphony Orchestra under John Pritchard, was a suitably mixed gala bag — a ringing delivery of the fanfare Walton composed for Sir Robert's 100th-birthday concert in 1979; a colourful account of Schubert's A major Rondo for solo violin and string orchestra from Ida Haendel; four songs from *Des Knaben Wunderhorn*, elegantly sung by Sarah Walker; and a Beethoven C major piano concerto with John Lill as soloist more notable for its solidity than its insight.

It was always the precept (as Anthony Burton of the BBC pointed out in our programme) of the Robert Mayer concerts for young people to "send them away with a good tune" — and, preserving the precept, this memorial programme ended aptly with three good Hungarian dance tunes by Brahms.

Iphigénie and Hélène/Paris Opéra

Max Loppert

The Opera is in a state of flux. Massimo Bogianckino, while continuing to be listed as general administrator, has already departed the company to assume his new office as mayor of Florence (curious turn of events, with surely few paralels in music history since the days of Paderewski); his officially-designated successor, Gérard Mortier, has still some while to spend in his current Brussels National Opera directorate before arriving to take over. Plans for the big new Bastille theatre, where opera alone will be given (while Garnier's palace becomes a ballet theatre), forge ahead—but political turbulences could easily upset them, and rumour abounds that they are already poised to do so.

And yet nothing of all this was felt during the opera weekend just past, spent at the big house and the *Opéra-Comique*. For the organisation—never turbulence-free even at the quietest of times—proceeds on its busy, expensive, excitable, stimulating way. The 1985-86 opera season began last month with the second-ever production of the Berio-Calvino opera, *La vera storia* (more of that in a second piece) and continued with revivals of the 1983 productions of *Iphigénie en Tauride* and *La Belle Hélène*. To be able to catch all three in quick succession was a privilege and a pleasure.

A determined effort is being made to bring the great Gluck lyric tragedies back to the city where they were first created. It is paying off handsomely. This *Iphigénie* was perhaps less wholly successful than last year's *Alceste*—the production is less certain of style, and in any case the later opera, while surely the more *masterly* masterpiece of the two, is in essence an intimate work, requiring either a more enclosing theatre space or else more grandly imposing singers than the world currently produces for French opera. With that said, however, it was well attended, closely and silently followed, and warmly greeted; one of the *sublime* works in the entire medium had made its proper mark. (Is it the severe-sounding title that stands in the way of its proper, general acceptance as just that?)

Shirley Verrett, announced to return to the title role, was on Saturday indisposed; so the honour of the première went to her understudy, Hélène Garetti (due also to take over later in the run). Disappointment was much mollified by hearing a young singer, compact of stature, who is a French soprano of some power, dignity, and directness of bearing, and who already commands the long and arduous role with some authority. More of all those qualities are still needed—Miss Garetti is not yet the answer to every French dramatic-soprano prayer — and, though her words were clear, they were contained, not eloquent or emotionally affecting in the manner of her great French predecessor in this house, Régine Crespin. The voice hardens on and around Gluck's cruelly placed high As, but all the notes were accurately placed.

Orestes and Pylades, German and American respectively, were further still from the classical ideal, though both far from unacceptable. Michael Ebbecke, a young baritone from Karlstruhe, is slim, handsome, touching, and sensitive—but not heroic in torment, and not yet with him in full control of French recitative. (Memories of Robert Massard competed with him unkindly). Thomas Moser as Pylades showed strength and vocal accomplishment of a confident but rather generalised kind.

It was brave but not wholly prudent of Ernest Blanc, who first trod these boards 31 years ago, to take on the short but ferocious role of Thoas: lots of voice left, with a lot of wobble to it. Minor parts were good, and the chorus was wonderful. Kenneth Montgomery, making his Opéra debut, moved the work forward with vigour and determination, but never at the expense of Gluck's bare, plain, marvellously expressive scoring—the sequences that give Act 2 its climax and close made sense as genuine music-drama.

The production (shared with Rome) by Liliana Cavani, the famous Italian film director, strives for visual effect—some of it very impressive—rather than for classical dramatic concision. The magnificent basic set was modelled (by Ezio Frigerio) on an antique Italian amphitheatre; it supports the entire action without too much strain on credibility, but intervals between acts are damagingly long, and one is not always convinced that the producer's vision of the whole is as clear as it is of the passing moment. Candle-lit processions up and down flights of stairs caused more than one creak and crunch. Still, there is a lot of potential for embarrassment and nonsense, especially at the dénouement, and it was to the general credit that it was largely unrealised.

At the small house the previous evening, Orestes (Marie-Christine Porta) had twinkled her way through the performance in a chiton, and Agamemnon (Jules Bastin) was an immense fund of irascible humour and wit—altogether the Offenbachian pre-history to Gluck was touched in with irresistible verve. Ronald Crichton wrote here two years ago in praise of Jerome Savary's high-spirited staging; it has come back in fine form, headed by the same unsurpassable quartet of veteran Offenbachians—Bastin, Michel Trempont (Calchas), Michel Hamel (Achilles), and the actor Jacques Sereys (Menelaus) as the sauvest and dottiest of cuckolded husbands. Alternate casting brought forth on this occasion Eva Saurova (Helen) and Georges Gautier (Paris)—a handsome, lively pair, but vocally not really stylish. The references to *Greenpeace* and Muraroa were deftly done, and received with blissful hilarity—all in a great Offenbach tradition!

Pollini's Bach/Festival Hall

Andrew Clements

Possibly Maurizio Pollini has played Bach before in London—maybe a partita slipped into a mixed programme—but certainly nothing as substantial as the first book of the *Well tempered Klavier* which constituted his recital at the Festival Hall on Monday night. The qualities that one conventionally associates with the Pollini style were intermittently in evidence; immaculate technique, display articulated rhythms, stern, disciplined expression only intermittently though, and a lack of clear focus characterised rather too many of the performances.

At the interval I wondered why Pollini had chosen such an austere, apparently (for him) inapproprate challenge and met it in an unimpeachable, yet also generally uninteresting way. His choice of tempi were in no way controversial; the C sharp minor Fugue was an exception, taken at a very broad four to the bar when it is marked *alla breve*, and a few toccata-like preludes were rattled off at such a speed that one longed for the surgically clean fingerwork of a Glenn Gould to give them shape and purpose. Ornamentation was perfunctory and entirely modern; phrasing sensible, keyboard colouring predominantly monochrome.

A few of the audience near me chose to leave before he embarked above the second group of 12; I could see their point. But in doing so they missed the best playing of the evening, hints of which could perhaps have been found in his treatment of some of the earlier chromatic fuges. As the polyphony of the later pieces grew more intricate, culminating in the expansiveness of the final B minor Fugue, so the pianist's grasp of the material became progressively more impressive, each piece shaped in an utterly convincing way.

Traces of the earlier unease lingered in some stuttering rhythms, unexplained quickenings and sprinklings of wrong notes. But now there was real conviction, and with it a palpable increase in the audience's involvement. Not quite enough splendour (and still a restricted tonal palette) to compensate for the eariler shortcomings, but still a timely reminder of Pollini's real stature.

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Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Oct 11–Oct 17

Theatre

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

PARIS

Julius Caesar. Robert Hossein directs a Hollywood scale production of Shakespeare's play with ultra-modern sound and light techniques. Palais des Sports, Porte de Versailles (5329057, 8284010).

NETHERLANDS

Nijmegen, Schouwburg: Ik Jan Cremer, rock opera charting the amorous exploits and general hell-raising of the Dutch *enfant terrible* of the 1960s. Superb choreography and sets, excellent cameos, and an indefatigable Peter Tuinman in the title role. (Fri, Sat) (22 110 00).

Arnhem, Schouwburg: Jango Edwards with his imaginative clowning in Nightmirrors, tales from the twit, "an evening of humour and horror." (Mon) (42 27 21).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

I'm Not Rappaport (American Place): A better title might have been Mensch on a Bench for Herb Gardner's touching, funny and invigorating play about two oldsters embodied in Judd Hirsch and Cleavon Little who almost conquer the world when they think they are just bickering with each other. (869 4731).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

CHICAGO

Government Inspector (Goodman): The Gogol wit directed against bureaucracy has enjoyed a sympathetic bearing in America the latest contribution being this season-opener directed by Frank Galati with Keith Reddin starring with I. M. Hobson. Ends Nov 10.(443 3810).

WASHINGTON

The Good Person of Szechwan (Arena): Garland Wright directs Ralph Manheim's translation of the Brecht parable in this season opener for an outstanding repertory company. (488 3300).

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

TOKYO

Kiss Me Kate: the Japanese version of Cole Porter's musical starring Chieko Baisho. Theatre Apple, Shinjuku. (2075588).

A Chorus Line: a much acclaimed revival by Shiki company, of Cats fame. Nissei Theatre, near Imperial Hotel and Ginza. (5204000).

Saleroom/Antony Thorncroft

Summers Place opening

Sotheby's opened its new saleroom at Summers Place, a converted convent school just outside Billingshurst, yesterday with a sale of furniture which brought in £318,670 in the morning session, more than it gained in a session at its now defunct Pulborough auction house. However, 17 per cent was bought in.

As usual in this affluent area private buyers were conspicuous, one paying £11,200 for a George II rosewood and satinwood Pembroke table of around 1780 (estimate £3,000-£5,000), and another £9,900 for a small George I walnut chest. A local dealer, Norman, paid £9,900 for a William and Mary marquetry cabinet on stand of around 1690.

Leston, of London, bought a George I walnut and cross-banded escritoire of around 1720 for £7,360 while a set of 10 George III-style carved mahogany chairs, actually made around 1900, went to Sainsbury, a Dorset dealer, for £6,600. A George III mahogany Pembroke table which metamorphosised into library steps, made £5,060.

On November 22, Sotheby's is selling a Nobel Peace Prize, or rather the gold medal awarded in 1903 to Sir William Cremer, the first English winner of the Peace Prize. Only one other medal has appeared at auction in the UK—Sir William Angell's prize in 1933 sold for £8,000 in 1983 at Sotheby's. This time a price of between £8,000-£10,000 is expected.

Sir William Cremer worked hard for peace causes during the 19th century and among his achievements were the foundation of the Peace Palace at The Hague and the idea for Speaker's Corner. The proceeds from the sale of the medal are to go to "Servant-Nation," an international peace organisation.

On November 2 an award to a very different man comes under the hammer at Sotheby's—the Order of Merit given to the artist and confirmed Bohemian, Augustus John. He received the award—limited to 24 living individuals at one time in 1942 and it carries a modest estimate of £2,500-£3,000.

Art Fund gives £½m for two appeals

The National Art-Collections Fund has dug into its reserves to find £500,000, which it is giving towards appeals to keep two major works of art in the UK—£250,000 for the Bernini bust of the Archbishop of Pisa, and the same sum for *Christ washing the disciples' feet* by Tintoretto.

The Victoria & Albert Museum is attempting to raise £3m to buy the Castle Howard Bernini, considered to be one of the finest works by the finest 17th century sculptor,

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Wednesday October 16 1985

The SE opens a door

REPRESENTATIVES of a number of leading foreign securities houses operating in London are meeting today to decide whether to go a stage further with plans to set up a self-regulatory *organisation (SRO) to* cover international securities trading. The idea is to comply with the new regulatory framework created by the forthcoming financial services legislation which will impose registration requirements upon all investment businesses trading in the UK. According to the current timetable, such registration will have to be achieved by the beginning of 1987, and will have to be wtih a body approved by the Securities and Investments Board (or alternatively, with the SIB itself).

Dubbed Isro (International Securities Regulatory Organisation), the proposed SRO was tentatively welcomed last week by Sir Kenneth Berrill, chairman of the SIB. Speaking in Edinburgh, he said: "It may *be that* a viable *organisation* capable of accommodating the participants in what might loosely be characterised as London's major international wholesale markets will emerge."

But the establishment of Isro in its mooted form is far from being welcomed by the London Stock Exchange. This is because it is envisaged that Isro will cover a broad range of securities including equities as well as bonds. The Stock Exchange, *therefore, sees a danger that* a second active focus of equities trading could develop in London, drawing much energy and liquidity away from the domestic market in internationally traded UK equities.

Amorphous

The Stock Exchange's strategy for the new regulatory environment is in danger of going wrong. Its attitude has been that it has no ambition to regulate the Eurobond market—which is too amorphous for it to grapple with, and which has quite different trading practices—*but that it has a natural* claim to regulate trading in London in overseas listed securities. Accordingly the Eurobond traders should set up their own *specialised* SRO, but the foreign equity traders should be encouraged to come under the Stock Exchange's regulatory umbrella.

In the event, this does not seem to have worked out. A Eurobond SRO might not be viable on its own. And the foreign securities houses which trade in equities as well as Eurobonds do not relish the prospect of being regulated by different SROs *on different parts of their* trading floors. So the bond and equity traders are planning to set up a single body.

Nobody can be sure, at this early stage, that Isro is a practical proposition. There is just a year to put together a new organisation—embracing many styles of securities businesses, and many nationalities—and make it acceptable to the SIB. *But the prospect is enough to* disturb the Stock Exchange, which is already suffering a significant loss of business to the New York market in the American Depositary Receipt versions of UK equities and is battling with Reuters and other independent information networks for control of the electronic markets of the future. Potentially, Isro could be the catalyst for a further fragmentation of the central market place, leaving the London Stock Exchange paramount only in the trading of second- and third-line UK stocks

Standards

One argument being expressed within the Stock Exchange *is that* trading under Isro rules would be less rigorously regulated — in terms of disclosure, perhaps, or *surveillance.* In those circumstances, it is suggested, all standards would be forced down to the lowest common denominator. Considering that it is currently losing business to the tightly regulated and far more transparent U.S. *markets,* these fears seem exaggerated. In any case, they imply that the SIB would allow markets to develop with quite different standards, whereas *this* would be wholly incompatible with the clear principle of "equivalence" which governs the White Paper on financial services.

Two important messages are being transmitted to the foreign securities houses in *London.* One *is that there is* no longer any question of huge admission charges being imposed upon firms joining the Stock Exchange in the future. The debate last spring over the need to "compensate" existing members for opening up the market is now seen in retrospect *to have* been *wholly* unrealistic. The other message is that the Stock Exchange is likely to be prepared to negotiate with Isro. It would no doubt prefer to lure Isro's equity members away, perhaps by devising a new form of Stock Exchange membership. But even if that does not prove to be possible, there may be scope for co-operative agreements and regulatory understandings.

*There **is a common** interest* in capitalising on London's opportunity in the global market place. The crucial balancing act for the SIB is to overcome the Stock Exchange's historical preference for effective monopoly without risking a decline in regulatory standards to those of the Eurobond market.

Japan falls short again

THE APPEARANCE of yet another wholly inadequate package of adjustment measures from Japan is unhappily likely to increase rather than reduce the likelihood of a protectionist response from the U.S. Congress. A stimulus to demand which is calculated to increase Japanese imports by $2bn is almost irrelevant in face of a current account surplus which may well peak at near $50bn. Some of the trimmings, such as the proposal to increase the propensity to spend by making cash dispensers more freely available, show an ingenuity somewhere between broad comedy and outright desperation. The second is surely nearer to the mark; the Japanese clearly regard their basic domestic strategy as entirely rational, and cannot really understand why other countries object to it so strongly.

The central obsession of this strategy, like a much stronger version of the British Fowler Green Paper on pensions, is the prospective burden of supporting the retired. Japan has a rapidly ageing population (or rather, a rapidly normalising age structure) and a rapidly rising standard of living. The result *is* that the saving of those at work to provide for their own future greatly exceeds the dissaving of the retired, who are not only few but modest in their demands. In the old, dynamic days Japanese industrial investment absorbed this surplus, but now the entire private sector is in large surplus, and much of it is exported in the form of long-term capital. Japan *is* thus building up claims on other economies to meet part of the retirement burden it foresees.

Within limits this is a perfectly reasonable strategy, and part of the normal cycle of national economic development; we rely partly on strong economies *to* provide investment capital for the rest. As the IMF pointed out in its annual report, it is only to be expected that Japan should have an abnormally high private savings rate just as the U.S., with its large and affluent retired population, has a low one.

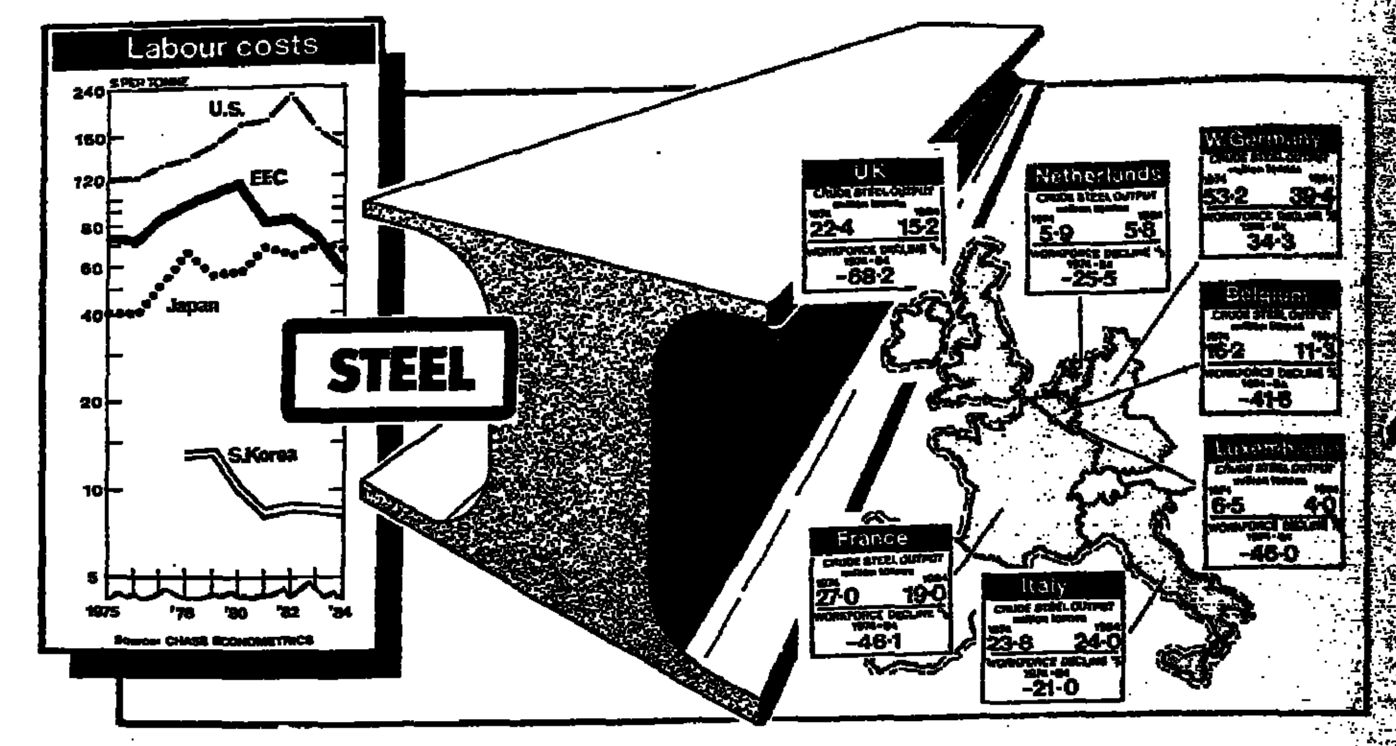
However, pensions provision cannot become a commitment which over-rides all other national and indeed international objectives; and this does seem to have happened in Japan. Provision for the expected future deficit on the national, funded pension scheme has been allowed to determine the Government's *fiscal objectives to such an ex*tent that public sector investment has been cut by 12 per cent in real terms since 1982, despite a slowing down of the *economy.*

Over-tight

Furthermore, the approach is wrong in principle. For the world as a whole the burden of supporting the retired can only be met out of current production. No country can expect to *opt out of this problem by ex*porting the claims of its retired without encountering resistance. The problem Japan faces confronts all countries to a greater or lesser extent; and although Japan has a bigger problem than most, burden-sharing is a matter of agreement, not unilateral virtue.

Even on a much shorter view, Japan's insistence on its own over-riding priorities is unacceptable. In the last few years Japan's over-tight policies have been more than offset by over-borrowing by the U.S., so that the Japanese trade surplus has been largely a bilateral one with the U.S., and real interest rates remain high. However, U.S. growth has now slowed, and determination to attack the deficit is growing. This requires some adjustment by America's trade partners. Somehow Japan must be persuaded to weigh international and adjustment problems in its policy balance; otherwise the outlook for free trade is dark.

A topsy-turvy picture of the European steel industry faces ministers who gather tomorrow to try to agree on new trading rules, write **Ian Rodger** and **Paul Cheeseright**



How roles have been reversed

THE GOVERNMENT of Mrs Margaret Thatcher finds itself in the odd *position this week of standing* four-square against the re-establishment of free market forces in a major industry — steel.

Even more odd, Britain will be supported by the other leading market-oriented Government in the European Community, that of West Germany.

To complete this topsy-turvy picture, these two will be oppo*sed by the* normally inteventionist European Commission, which feels that controls should be lifted from a few steel products immediately as a first step towards a total restoration of free trade. The Commission has been managing the steel market in the Community for the last *five years under* the terms of the Davignon plan, named after the former Industry Commissioner. Davignon's regime cost member governments more than £18bn in subsidies.

This is the curious state of affairs as EEC industry ministers sit down tomorrow to try *to agree on a set of rules for* internal trading in most major steel products. The Davignon system of rigid controls on price, production and imports expires *at the end of the year.*

No one expects an agreement to be reached tomorrow, but there is little doubt that Britain and West Germany will ultimately carry the day, not least because there will be no opposition from most of the other, less market-oriented EEC governments.

But how can it be that Britain and West Germany oppose the return to a free market in steel? Does this mean that the Davignon plan, that was supposed to give the beleagured industry a breathing space in which to cut capacity and become internationally competitive, has been a failure? And if so, why should a second breathing space achieve any more? Beneath both these political questions lies the bigger worry in the mind of demoralised steel executives throughout the Community: when, if ever, will trading con*ditions return to normal?*

The basic problem in the EEC steel industry remains one of gross overcapacity. Last year, the industry operated at an average rate of only 65 per cent, far below the 80 per cent level even the newly hawkish Commission believes to be necessary for profitable *operation.* The Commission itself has been talking about the need to close another 25m tonnes of capacity, about 18 per cent of the total, to bring supply into line with reduced demand.

Also, the outlook for demand over the next few years is for a flat internal market at best. The International Iron and Steel Institute has forecast that EEC steel consumption will fade from 93m tonnes this year to 91m tonnes in 1990, partly because of an indifferent growth outlook and partly because of the trend to use lighter *steels* in many applications, such as motor cars.

Meanwhile, the EEC's traditional export markets have become extremely competitive, as highly efficient producers from newly developing countries take an increasing share of the markets for the more *common bulk steel products.* To make matters worse, the U.S. is talking tough about reducing the amount of steel it will allow the EEC producers to sell there from next year, perhaps by 1m tonnes a year, and there is nowhere else producers can reasonably expect to sell those tonnes.

So the question the ministers *face, this week as in the past,* is how the misery should be shared among the EEC producers. Even if the Community steel industries were in reasonable health, *this* would not be an easy task. But the condition of steel industries across Europe varies widely.

The British and the Dutch are in the best health, having scrapped most of their old, outdated equipment and trimmed their workforces to the point *where they are internationally* competitive in many product areas. Hoogovens, the Dutch producer, had a profit of Fl 206.5m last year and is looking *for a similar result this year.* The British Steel Corporation has been trading profitably since the end of the miners' strike last March and Allied Steel and Wire, the leading UK private sector group, has just reported doubled profits of £6.4m in 1984.

Two West German producers, *Thyssen and Hoesch,* are also among the strongest—both are profitable and are restoring dividend payments this year. But of the other German companies, Krupp, Peine Salzgitted and Kloeckner, look frail, while Arbed Saarstahl limps from one injection of government aid to *the next.* The major Belgian, French and Italian prodoucers also look sickly. Finsider, the Italian state-owned producer, has just increased its forecost loss for 1985 from L628bn to L800bn.

On the basis of this thumbnail sketch, you might expect the British, Dutch and West Germans to be arguing vehemently for the re-establishment of a free market, in the hope that the weakest producers would soon be squeezed out and market conditions would improve. In fact, only the Dutch endorse the view of the Commission that controls should be eliminated from a few products at the end of the year. But many suspect that the Dutch enthusiasm for liberalisation may be related to the fact that Hoogovens, the leading national producer, is just bringing on stream a large mill that would be able to oper*ate at a higher rate if output* controls were removed.

For their part, the West Germans and British fear that, if free market forces are allowed to operate, some pro*ducers will* raise output in an attempt to gain market share, causing prices to collapse. In any other industry, that would not necessarily be a bad thing, as it would be a prelude to the removal from the market of the weakest firms. But everyone knows that no EEC government is willing to see any of its major steel producers go to the wall, partly out of pride and partly out of a fear of creating more redundancies in the high unemployment areas where steelworks are usually to be found. BSC's Consett works in North East England is the only steelworks to have been com*pletely closed since the creation* of the Davignon regime.

So the West Germans and the British reason as follows: if the market collapsed, the weak companies would still carry on, supported by their governments and the only companies to be damaged would once again be the strong ones. The major victims of the last market collapse in 1980 were the leading West German producers which, until then, had been *fairly* healthy. Therefore, it is argued, controls must be maintained until the weak companies are weaned completely of government aid.

The governments of countries with weak steel industries can be expected to support the West German and British position with some relief, because it means that they will not have to face the cost of a market collapse or the embarrassment of being seen to prop up their lame ducks.

Thus, it seems that there would be wide agreement to continue the present arrangements. However, a cuckoo has appeared this year in the form of the Commission. Herr Karl-Heinz Narjes of West Germany, the new Commissioner for Industry, who took office at the beginning of the year, takes a much more austere view of the steel industry than his predecessor, Viscount Etienne Davignon.

ROLLED STEEL CAPACITY REDUCTIONS IN EEC COUNTRIES

Country*	1980 capacity '000 tonnes	Cuts demanded in June, 1983 '000 tonnes	Cuts achieved by March, 1985 '000 tonnes
W. Germany	53,117	6,010	6,300
Belgium	16,028	3,155	3,100
France	26,869	5,311	4,500
Italy	36,294	5,834	5,700
Luxembourg	5,215	960	1,000
Netherlands	7,297	950	800
UK	22,840	4,500	4,600

* Ireland and Greece are not in the capacity reduction programme
Source: European Commission

As one seasoned observer puts it, Viscount Davignon liked to put forward sub-optimum proposals that he thought all member govern*ments could support. This Com*mission puts forward what it believes are sensible measures and leaves others — in this case, the governments — to justify, and thus take the blame for, perpetuating an unsatisfactory situation.

This Commission believes *that it has to have some pro*gress to show for the five years of support that has been provided to the steelmakers. It first proposed last June that controls be removed from a few products, notably wire rod and light structural steel beams. Most producers and their governments made it very clear that they did not agree, and suggested that the Commission think again. Two weeks ago, the Commission, having thought again, produced a set of proposals which sought to liberalise trade in even more products, amounting to about one third of the volume it controls. Again, most govern*ments and producers have been* quick to express their opposition.

The arguments over whether or not there should be some liberalisation of the steel market next year are finely balanced. Those in favour — and apart from the Dutch, they include the representatives of steel users and a few private steel producers in Italy chafing at quota restrictions — say that some of the product areas to be liberalised, *notably* coated sheet, are in strong demand so there is no danger of a market collapse. As for wire rod and the light products sectors, it is argued that the producers of these products tend to be small so that even if one or two companies did collapse, that would not be politically devastating for any member government.

Those who oppose liberalisation say that it is difficult, if not impossible, to do it on a piecemeal basis. If, for example, production quotas were removed on galvanised sheet, *it is argued that pro*ducers would redirect some of their steel from other products to galvanised, creating further disturbances in an already badly distorted market.

They say that virtually all the controls should remain and argue that the restructuring *effort accomplished to date has* been massive. Last week, for example, Dr Hans-Gunther Vorwerk, director-general of Eurofer, the integrated steel producers' association, said at a conference in London that Eurofer members have closed 29m tonnes of hot rolling capacity in the past five years. "The Eurofer members are of the opinion that it is still too early to liberalise the quota system." He described the *Commission's proposals as radi*cal and said they "would endanger the positive results already achieved."

There seems little doubt, as EEC industry ministers begin to discuss the new rules for steel trading for next year, that this view will ultimately prevail. But that does not mean that overall agreement will come easily or quickly. There are big arguments to be fought over subsidies and over the sharing of production quotas among the producers—in other words, how the misery should be shared.

As in any negotiation, every country and every producer will produce excellent reasons why its quotas should be increased, and none will be willing to see its quotas reduced. For once, the British are at the head of the list of those seeking increased quotas. Their argument is that the existing quota shares were set at a time when British steel was so unreliable—either in terms of delivery or quality—that few people wanted to buy it. Today, British producers are *recognised for their quality and* service, but they have difficulty in satisfying customer demands because of the quota limitations on their output.

The British say, reasonably, that any system should reward improvement, but the problem now is that virtually every producer in the Community has made significant improvements in productivity, quality and service in recent years. If there are to be any significant changes *in quota shares. it is* a fair bet they will come only after a huge row.

As for subsidies, the idea under the Davignon plan was *that all state aids would stop* at hte end of this year. However, many governments and producers feel that subsidies should still be permitted to offset the cash costs to producers of closing plants, such as redundancy payments and raw material contract cancellation charges. Otherwise, they say, the closures that will be needed in the next few years will not take place. The Dutch and the West Germans balk at this *because they fear that competi*tors will fiddle closure costs to prop up their balance sheets.

For anyone hoping for an early return to an open market in steel, the outlook is far from encouraging. The Narjes plan will probably last for only three years rather than the five years of the Davignon plan. But in late 1989, as this year, there will probably still be plenty of steel industry leaders and governments, including conser*vative governments, saying that* it is "too early" to remove the controls.

Men and Matters

Saving graces in the US

Beating the drum for the U.S. savings and loan industry might seem a thankless, if not impossible, task, after the well-publi*cised shocks of the past year.*

The near collapse of Financial Corporation of America, and the crisis in the Ohio state-insured thrifts, sent shivers through bankers and regulators on both sides of the Atlantic.

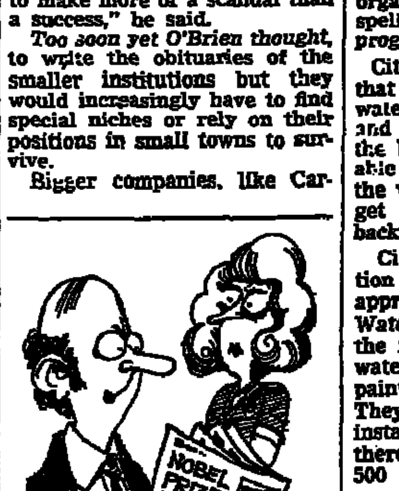
But that has not deterred Robert O'Brien and Robert Pierson, chairman and vice-chairman respectively, of New Jersey-based Carteret Savings and Loan Association, from wooing potential shareholders in Europe.

The health of the savings industry is far from robust, O'Brien admitted in London yesterday. But the dash for growth *by a handful of companies* was not typical of most S and Ls. "I suppose our newspapers like to make more of a scandal than a success," he said.

Too soon yet O'Brien thought, to write the obituaries of the smaller institutions but they would increasingly have to find special niches or rely on their positions in small towns to survive.

Bigger companies, like Carteret, may be able to take a different course, he said. Carteret itself had grown into "a diversified financial services company."

For both men the watchword was caution—even conservatism. *It may not sound too thrilling,* but then shareholders in S and Ls have probably had as much excitement as they can take.



"I half expected Jeffrey Archer would get it"

Bankers' art

The days are past when arts *sponsorship involved a company* writing a large cheque, and then hoping that the arts organisation would manage to spell its name correctly in the programme.

Citibank yesterday announced that it will sponsor a series of watercolour views of Oxford and Cambridge colleges — and the bank is showing commendable commercial prudence in the venture in that it hopes to get its £20,000 commitment back within five months.

Citibank, which has a reputation for helping the arts, was approached by a new company, Watercolour Facsimiles, with the idea fo producing a set of watercolours of the colleges painted by Sir Hugh Casson. They will be sold in the first instance to college alumini, and there will be limited editions of 500 at £75 each.

The colleges are to get a royalty of £1,200.

Much depends on the nostalgia of old boys and girls — and on the reliability of the college address lists.

The first two watercolours are of Oxford colleges—Trinity and St Edmunds Hall, which are offering address lists of 5,000 and 3,600 respectively.

There is a reason why Oxford is featured so prominently at the start of the programme. Citibank opens in the city next January. By that time it should have most of *its* interest-free loan safely back in its vaults.

Times past

India does not hold any grudges against Britain for its behaviour during the days of the Raj. That is official.

Prime Minister Rajiv Gandhi said so at the Lord Mayor's lunch at the Mansion House in London yesterday. "In the imperial days, the very sense of political superiority came in the way of true understanding," he said.

Gandhi muted his barb, however, by adding: "The past need not deter us. We in India have long ago forgiven you for ruling over us."

To underline the point, the Indian Prime Minister quoted the American poet Robert Frost:

"Forgive, O Lord, my little
jokes on Thee
And I'll forgive Thy great big
one on me."

Archer's downfall

Jeffrey Archer, deputy chairman of the Conservative Party, best selling author, and something of an entrepreneur himself, thinks that risk takers have become a rare breed in Britain compared with the United States, Japan, and the rest of Western Europe, and need encouragement.

Too many bright young graduates are in his view, opting for "easy" careers in accountancy and the law.

Speaking at the launch in London yesterday of the second graduate enterprise programme run by the Cranfield School of Management, and backed by the Manpower Services Commission, he paid it a heartfelt compliment.

Referring candidly to the financial disaster over Canadian investments that obliged him to quit as Tory MP for Louth in 1974, he said his downfall had been caused *by sheer lack of* knowledge of the entrepreneurial world . . . "If I had had the advice given on this programme I am sure I would not *have made the silly financial* investments I made."

But where he might be now, he did not say.

The programme, which is helping 36 graduates this year to launch their own businesses, and aims to help 70 next year at Durham and Warwick universities as well as Cranfield, is supported by Arthur Andersen, the accountants, British Petroleum, and National Westminster Bank. And the British Institute of Management is now coming in for the first time.

Traffic island

Monteverdi, the car designing company which gives exclusive shapes to Rolls-Royces, Ferraris, Maseratis and some less renowned makes, will open on Friday at Binningen, near Basle, its own car museum, exhibiting *more than 80 of "the world's* most famous cars."

The invitation to the opening carries this postscript: "As we have only limited parking space, if possible please come without your own car."

Crumbs

Turkey, South Korea, and Ecuador, have become the first three *members of the* Multilateral Investment Guarantee Agency (MIGA), the novel offshoot of the World Bank.

Spanish-speaking governments will have few illusions, however, about the new agency's ability to help their economic problems. Miga is Spanish for "crumb."

Observer

Midland miners' vote

A crucial test for two views of union democracy

By John Lloyd, Industrial Editor

OVER the next two days, some 30,000 men, mostly in the Midlands, will collectively make a decision as momentous as any taken during the 12 months mineworkers strike. In deciding whether or not to form a national federation separate from the National Union of Mineworkers—pointedly called the Union of Democratic Mineworkers—the miners of Nottinghamshire, South Derbyshire and the breakaway Colliery Trades and Allied Workers Association in Durham will be assisting in setting the mould for British trade unionism for decades to come.

The importance and strangeness of the event has been obscured by the strike, which made possible moves and countermoves never before seen, or at least not seen for decades. In the first place, the split is being explicitly encouraged by Mr Ian MacGregor, the National Coal Board chairman (many of his senior managers are sceptical but keep it to themselves): for the first time since nationalisation, the board is acting to weaken and fragment the National Union of Mineworkers (which, of course, has spent much of the past three years trying to weaken and fragment the NCB).

The Government has taken a studiously neutral position. The managers' doubts, which usually get a more sympathetic reception from Mr Peter Walker, the Energy Secretary than they do from Mr MacGregor, resonate within Whitehall but — as the Board chairman put it two weeks ago — Government has "no choice" but to back or sack him, and cannot sack him. These doubts will be assuaged by the belief that the successful creation of the UDM will emphasise the division in the TUC (which ministers like) over the matter of State funds for ballots, and behind that the attitude of unions to employment law, and ultimately to Government itself. If the new federation can survive and grow, it will be used within the TUC by leaders of the engineers and the electricians — the cutting edge of a new political order in the labour movement — as an argument that rank and file workers want no truck with political adventurism disguised as industrial action, and that they are wedded to ballot-based democracy.

Mr Neil Kinnock, the Labour leader, has publicly called for unity in the NUM and sees a spilt as a retrograde step

These are weighty matters to hang on the outcome of the 30,000 men clumping into pit-top booths at the start of their weary shifts: the votes will be strongly influenced by such concrete matters as whether or not the Notts union, already independent from the NUM, succeeds in concluding a wage agreement with the NCB, and on what terms. Notts miners, like their colleagues elsewhere, have had no pay rise since November 1982 (a fact which figures large in pro UDM propaganda). But beneath the financial is a moral issue, one which is explicit and which motivates the activists of both sides.

For UDM enthusiasts the issue is one of freedom versus totalitarianism, choice versus direction. For the NUM loyalists, it is an independent against a bosses' union, a militant versus a supine posture. Common to both is the wish to define what constitutes a union: for the UDM men, it is a collective which only contemplates industrial action on the aggregated assent of its indivdual members: for the NUM men, it is a collective whose task is the development of a militancy in a class-divided society

Naturally, these arguments are not deployed as though by Athenian noblemen gathered round the Platonic knee. Posters like the one on this page and displayed on 124 sites throughout Nottinghamshire are an important weapon in the UDM campaign; another, also drawn by cartoonist John Kent, shows Mr Arthur Scargill declaiming "Scabs! Lepers! Lend me your votes!".

The UDM men believe Scargill is their best recruiting sergeant: they do not attempt to disguise their hatred of him, and their campaign depends heavily on his personality. David Prendergast, the Notts area's financial officer, confesses to voting for Scargill and says now that "When you see him on a platform once every five years—he's bloody good: but all the time—terrible, a disaster."

Ray Chadburn, the former President of the Notts area, a right wing opponent of Mr Scargill in the 1981 presidential race and now feted by the NUM president and leadership for throwing in his lot with the NUM rather than the majority of his members, is full of instances of discrimination and harassment: pursuit by private detectives while on holiday, prohibition from entering his office, veiled threats that he would lose his (union) house. He sees the Notts area leadership—Roy Lynk, the general secretary, Prengergast and Neil Greatrex, the pensions officer—as opportunists whose long-nursed ambitions have finally found a vehicle.

Yet this kind of thing has not pre-empted a debate on principles. In south Derbyshire, away from the constant disturbances and personality dramas of media attention, the matter is being fought out very largely on a principled basis, with a depth of consideration being given to it which does justice to the importance of the issue.

In the little Victorian headquarters of the south Derbyshire miners in Swadlincote, near Burton-on-Trent, the executive gathers in a square conference room at the back of the building which looks out on on one side to a Kwik-Save depot and on the other to a builders' yard.

Ken Toon, the area's General Secretary, was the longest serving member of the NUM executive and is the only one to have withdrawn from it to help lead the putative federation. A large and amiable man, he talks of his men running gauntlets of pickets day after day, of the futile calls he made on the National Executive for a ballot, of the new confrontational style of leadership in the NUM.

Two of his Executive colleagues—Horace Sankey, the area president and Roy Hyde, the branch secretary at Cadley Hill pit—are active Labour Party members: Sankey, a regional and district councillor, Hyde a member of the party's East Midlands Council. Hyde had been asked to leave party meetings because he worked through the strike

Sankey went further. He said the industry now faced rapid technical and market change and that "we either attempt to defy it like Luddites or try to work with it for the benefit of miners. If this means changes then the union has to ensure that these changes work to the advantage of the miners." It is the diametrically opposite philosophy to that of the NUM: co-operation at a price versus confrontation at all costs.

Two miles away, Nick Wroghton, secretary of the informal left wing grouping known as the South Derbyshire Miners' Forum, is preserving a slender loyalist tradition. A refreshingly frank man in his thirties, he says that there were never more than 17 men on strike in the area—"we claimed 17 and we were amazed to find there were as many as that in the end."

He dismisses Toon's claims to be a democrat by saying that he, with others, had brought in the 1978 incentive scheme in defiance of a national ballot vote. "No area is safe, it doesn't matter where you go: a split union would mean the Board could carve us up."

The leaflet he and his colleagues hand round in the pits—and have been disciplined for so doing—says that "the NUM was built by the blood, sweat, toil and tears of our forefathers.

"Blood, sweat and tears." Both sides appeal to this old cliché — one to the blood and tears shed in the miners' strike, the other to the same liquid shed in struggles half a century and more ago. In the next two days 30,000 miners will show which are the most potent today.

World financial stability

Empty gestures won't save the system

By John D. Paulus

AT THEIR meeting last month in New York the Group of Five (G-5) nations announced with great fanfare, an agreement to head off growing protectionist sentiment in the U.S. by reducing its current account deficit. But, although well intentioned, the G-5 initiative will not achieve this objective because it does not address the true causes of the U.S. balance of payments problem. Neither were the causes addressed at the annual IMF World Bank meeting just concluded in Seoul.

With the onset of the LDC debt crisis in 1982, concern over the stability of the world financial system mounted and the Federal Reserve adopted a stimulative monetary policy. Coupled with an almost unprecedented fiscal stimulus, it produced economic expansion in 1983 and 1984 in the U.S. At the same time other leading industrial nations were nudging their fiscal policies toward further restraint or maintaining the status quo.

The result was a huge divergence in growth rates, with the U.S. expanding by 12.3 per cent in real terms in 1983 and 1984, while growth in Germany, Japan, France and the UK averaged a mere 5 per cent. This produced massive capital inflows into the dollar, as the U.S. came to be viewed as "the only place to invest" by international investors.

Corporate profits in the U.S. were eroded by the high dollar while household purchasing power was augmented by the enhanced availability of low cost imports. Income was redistributed from the corporate sector to households. Thus, disposable personal income represented 88 per cent of national income from 1982 to 1985 compared to 84.5 per cent in the previous 10 years. At the same time after-tax corporate profits slipped to a 4.6 per cent share from 1982 onward, down from 6.9 per cent previously.

The proportion of GNP devoted to consumption jumped. From 1960 to 1981 consumer spending fluctuated narrowly between 61 and 63 per cent of GNP, averaging 62.5 per cent. Since 1982 this percentage has averaged almost 65 per cent.

The percentage of GNP of both investment and government spending was almost identical over the two periods 1960 to 1981, and 1982 to the present. What, then, allowed the consumption share to rise? The answer is the trade balance, which moved downard by an average of 1.5 percentage points in the recent period relative to earlier years.

Thus, the U.S. balance of payments problem is most immediately attributable to *overconsumption*. The proximate cause of that is the strong dollar, but the ultimate cause is an unprecedented mismatch in national macroeconomic policies. In 1983 and 1984, while the U.S. stimulated her economy, everybody else played it safe.

Therefore the solution to the U.S. balance of payments problem is simple: reverse the roles played by the U.S. and other industrial nations in 1983 and 1984.

If the major industrial naions were to adopt more growth-oriented fiscal policies while the U.S. tightened her budget policy, their economic growth would again exceed that of the U.S. as was generally the case from 1950 to 1980. As a result, foreign demand for U.S. exports would rise, helping to trim the current account deficit. Also, capital would flow to the nations whose expansions were picking up, strengthening their currencies and weakening the dollar. The lower dollar would eventually eliminate U.S. overconsumption and the related balance of payments problem.

The G-5 agreement and the subsequent discussions in Seoul did nothing to attack the fundamental cause of the balance of payments problem. While the agreement threatens massive central bank intervention in foreign exchange markets, that cannot permanently alter currency values. The fall in the dollar since September 22 is due less to intervention than to the belief that another shoe will drop in the form of non-U.S. macroeconomic policy actions designed to stimulate economic growth.

But such action seems unlikely. The Japanese are anxious about monetary stimulus because the resultant decline in interest rates would depress the yen and worsen protectionist pressures.

Europeans are even more pessimistic about the likely outcome of fiscal stimulus. They tend to associate it with an immediate increase in inflation.

How serious is the balance-of-payments problem? An indefinite continuation of overconsumption in the U.S. and matching payments imbalances would result in a deep global recession and the destruction of much of the existing financial infrastructure which, until now, has proved so efficient in moving capital about the world.

International investors, worried about voracious American consumption habits and increased dependence on foreign debt, would lose confidence in prospects for healthy fixed investment and productivity growth in the U.S. The dollar then would plunge

The wounded dollar would revive memories of the late-1970s when the U.S. was seen as an inept, staggering giant, not worthy of the trust required to dominate the world financial system. Perceptions of American impotence and massive losses by foreign governments holding dollar-denominated reserves would lead to a jarring reduction in the role played by the dollar as an international reserve currency.

This turn of events would shatter much of the world's financial infrastructure, diminishing the importance of the established dollar centres—London, New York, Hong Kong and Singapore. Part of the billions of dollars invested in financial service technology in those centres would have to be written off. Other resources would be transferred to newly emerging non-dollar centres such as Frankfurt and Zurich.

There is only one other way of attacking the balance of payments problem. That is to hold U.S. growth at or below the meagre rate of expansion permitted abroad.

There are obvious risks and drawbacks to this approach, including the distinct possibility of inducing recessions abroad.

To resolve the payment imbalances that threaten the stability of the world financial system, co-ordinated macro policies must be adopted that coax more growth out of Japan and the major European nations while U.S. fiscal policy is tightened. Unfortunately, the G-5 agreement offers only high-flown but empty gestures. At best, the agreement represents a temporary assault on the dollar. At worst, it diverts attention from the most severe economic problem of our time.

The author is managing director and chief economist, Morgan Stanley, New York.

Letters to the Editor

Surge in City earnings

From Mr C. West-Meads

Sir, — I refer to the report "Surge in City earnings set to continue" (October 9). I do not take issue with the table of salaries. I do take issue, however, with the discussion relating to the salaries and some of the numbers that ar missing from the table!

I feel that the report infers that many people are enjoying the salaries quoted. The facts are that, certainly as far as the "top rates" are concerned, they apply to very few, further the total numbers employed in U.S. investment banks represent quite a small proportion of the jobs discussed. The "average" salaries are likely to be influenced by these few salaries to a disproportionate degree.

I should have preferred to have seen the table quoting salary ranges with reference to a median rather than an aver a median rather than an average. The reason for this is that the presentation of the "high side" alone is unbalanced. Without the presentation of the salaries below the median thet facts become distorted and misinterpreted. This can have a number of adverse effects.

A large number of people working quite satisfactorily but earning lower salaries become unsettled without due justification. This often has a negative impact on their own performance and in turn on that of their organisation.

It focuses the individual's attention almost totally upon money as a reward. The rewards provided by the employer such as working climate, security, challenge and opportunity are forgotten as people chase higher salaries into an environment that may be quite alien and hostile. Again creating longer-term problems for both individuals and organisations.

he inference that salaries will continue to surge in the City ignores the two issues of margins to pay for the spiralling salaries and the number of people able to enjoy the increases. While I do not see fixed (or basic) salaries coming down, there are clear indications that thet variable element of these salaries will fluctuate both up and down as margins fluctuate. The numbers employed in these jobs are also likely to reduce as some combatants withdraw from the various markets.

There is the impact on the clients of the merchant banks in the industrial and commercial sectors. They can well feel dissatisfied at the salary levels quoted and the suggestion that they are likely to increase further. This is because they do not necessarily understand how hard these people wordk for their rewards, the pressures they put themselves under and how few in real terms are recipients of the high, high salaries.

C. West-Meads.
Wyatt Company (UK).
21, Tothill Street, SW1.

The Channel tunnel

From Mr H. Gibbs,

Sir, — The Channel Tunnel. Will the taxpayer have to pay through the nose for another white elephant? I am reflecting your words on October 12.

Under no circumstances de we want or need to join our country to France. Throughout history France has been no good to us. Over and above this, what a tremendous opportunity it would give to criminals and anyone else who does not like us. How much trouble will it be to blow up a portion of the tunnel causing disasterous loss of life and eventually a cost beyond comprehension?

No it's call it a day and waste no more money on such a stupid idea.

H. B. Gibbs,
SSD Farming Equipment Aid, Six Acres, Broadshard, Crewkerne, Somerset.

The future of Westland

From the National Organiser, Technical Administrative and Supervisory Section, Amalgamated Union of Engineering Workers

Sir,—Westland, Britain's only helicopter manufacturer, teeters on the brink of a major decision — should it tie up with the American helicopter company, Sikorsky?

The Government appears not to be allowing the Westland crisis to be left to market forces. Ministers are closely involved. To others who have also been closely involved with the problems of Britain's only helicopter manufacturer, this raises several points.

It could be suggested that it is precisely the Government's policy on competitive bidding that caused the crisis in the first place. In fact, this year the Government refused to back Westland 30 aircraft as replacement helicopters for the ageing Wessex and Puma troop transport helicopters, and Westland badly needed orders then. All this despite the fact that the specifications met the target and the prices and running costs were cheaper than its rivals, the Sikorsky Black Hawk and Aerospatiale Super Puma. It would appear that Westland, which has an immediate short-term gap in the order book, is being forced to consider tying up with one of its rivals, Sikorsky, and that Westland 30's future is threatened.

Both the future of Westland and the Westland 30 could be safeguarded by the Government giving the immediate go-ahead for the purchase of Westland 30 for the required troop transport role. From this, potential export orders would follow.

The Government has recently secured notable success in military exports. Buyers abroad see that the UK Government has demonstrated its confidence for the product by procurement for our own defence needs. This has not happened with the Westland 30. Those abroad are, therefore, hesitant about the aircraft.

Perhaps though, close involvement indicates the Government's intention to allow Westland to go to the highest bidder within the market place. If that is the case, the strongest contender would be Sikorsky, part of United Technology, with a huge home sale in the U.S., a major conglomerate's financial backing during difficult times, and a strong desire to get a guaranteed foothold in the European market.

The Sikorsky involvement would be the worst possible option for Westland, for Britain, and the Westland workforce. A tie-up with U.S. multinationals will lead to export of British technology at the cost of British jobs.

Both the management and the unions have demonstrated their support for Westland in, in particular, the Westland 30. It received £41m in launch aid from the Government.

The way out of the Westland crisis is by strong Government support through orders, not a sell-out. This would ensure Britain's independent role in helicopter design, development and manufacture into the year 2000-plus.

C. Darke.
Onslow Hall, Little Green, Richmond, Surrey.

Cholesterol levels

From the Director, Coronary Prevention Group

Sir,—Lucia van der Post is quite right when she says (October 5) that "all of us would be better off eating more sensibly." The article is quite wrong, however, to imply that the key to coronary prevention lies in a "simple blood test" to measure cholesterol levels.

The confusion stems from two false assumptions. The first is to confuse familial hypercholesterolaemia (FH) with coronary heart disease (CHD) developed over a lifetime. FH is an inherited disease where abnormally high levels of serum cholesterol put sufferers at high risk of a heart attack. This condition can be modified by diet, but almost without exception requires drug treatment. The second false assumption is to suggest that the aetiology of CHD can be explained by a single risk factor. Unlike FH which is principally attributable to a single risk factor, it is essential to realise CHD aetiology is multifactorial and although raised serum cholesterol is a major risk factor it is only one of a number.

Although it is quite correct to say that there is presently no policy of population screening for raised serum cholesterol, anyone concerned about heart disease should go to see their GP.

Their GP should obtain details of the individual's possible risk factors for CHD, the levels of which may or may not mean they will recommend a cholesterol test. Although a cholesterol test may identify FH sufferers or those with very high levels of serum cholestrol it will not detect the majority of those who will go on to die or suffer from CHD. This is because the classic risk factors for CHD—hypercholestrolaemia, smoking and hypertension—while being major determinants of population rates of CHD, are not good predictors of individual risk.

Lucia van der Post rightly states: "Until we take the kind of action that other countries, for example the U.S., have taken, the deaths from early CHD are likely to continue at the present scandalous rate." The UK does lack adequate Government commitment in this area. CHD prevention must be broad-based (ie medical, social and political) and involve the whole population, not just high-risk individuals.

Anne Dillon,
60 Great Ormond Street, WC1.

No mean city

From the Senior Assistant Director, Scottish Office, Confederation of British Industry

Sir, — In your second leader of October 9 you lament the relative failure of the Government's attempts to regenerate the inner cities. You say we have no local Boston or Baltimore, Philadelphia or Kansas City to show what is possible.

Yes we have! Raise your eyes a little above the Watford gap and you will see, barely an hour away by frequent shuttle, the splendid example of Glasgow's eastern area renewal. No mean achievement by no mean city.

H. S. Macgregor.
5, Claremont Terrace, Glasgow.

FINANCIAL TIMES

Wednesday October 16 1985

IBM puts computer network technology in place

By Alan Cane in London

IBM, the world's largest computer manufacturer, yesterday announced the technology it will use to enable its personal computers and other information processing equipment to communicate with each other in the office.

The announcement, some six months earlier than IBM predicted, has been impatiently awaited in the information processing industry. It is expected to trigger off a fresh round of personal computer sales; communication between personal computers is seen as the next stage in the development of office automation.

Sales of personal computers have slowed in the U.S. as customers have failed to build their machines into office data networks, chiefly through doubts over which communications technology, or local area network (lan), to use. Lans are designed to pass information cheaply, reliably and at high speeds between work stations in a limited area such as an office building or factory complex.

Of the 20m personal computers now in use in the U.S. and Europe, fewer than 4 per cent are connected to such a network.

There are a number of commercial lans available but only Ethernet, designed by Xerox Corporation, has become an industry standard. Yesterday Xerox refused to comment on the IBM announcement.

Worldwide sales of these communications networks were worth $400m last year and one marketing consultancy estimates they will reach $56bn a year by 1990. The number of offices with installed networks will climb from 6,500 to nearly 60,000 over the same period.

IBM's technology is called a token passing ring, a quite different concept from Ethernet. It relies on a set of four special silicon chips, designed and built by Texas Instruments, the U.S. semiconductor manufacturer, which worked in collaboration with IBM.

The most complex of the set was designed at TI's UK headquarters in Bedford.

The four chips fit on a printed circuit board which slots into an IBM Personal Computer and provides the essential link between the machine and the communications ring at a cost of about $800 a station. It will be possible soon to connect other devices, such as IBM's 3270 terminal family which represents a vast market.

Texas Instruments is selling the chips to computer manufacturers, other than IBM, and there is interest from manufacturers, many in Europe and including Ericsson Information Systems and ICL.

Mr Henrik Abramowicz, senior adviser at Ericsson said: "Standardisation is important to us and we believe that IBM will have a major impact on the market standard for lans in the office."

Other industry experts agree that the IBM token ring will become the standard for lans. Mr David Flint, senior telecommunications consultant with the Butler Cox organisation in London, said: "I am in no doubt that the IBM token ring will become the industry standard but it may take longer than expected."

Hoover rejects opening bid from Chicago Pacific

BY TERRY DODSWORTH IN NEW YORK

HOOVER, the U.S. vacuum cleaner manufacturer, announced yesterday that it had received an unsolicited $40 a share bid from Chicago Pacific, the former railway company which reorganised itself into a cash shell about a year ago.

Shares in Hoover, which had dropped as low as $23½ over the last 12 months, leapt by $8 in early trading to $41½ on the over-the-counter market, suggesting that traders expect a bid battle or a higher offer from Chicago Pacific.

After a hurried boardroom meeting, Hoover said that it would not recommend the offer to shareholders, but it indicated that it was not intractably opposed to a suitable offer by saying that it had asked Lazard Freres, its financial adviser, "to explore all alternatives which may be available to maximise value."

Chicago Pacific, run by Mr Harvey Kapnick, former chairman of accountants Arthur Andersen, made its presence felt to Wall Street takeover specialists last year when it made an abortive $1.6bn bid for Textron, the Connecticut conglomerate. Analysts argued at that time that Chicago Pacific had chosen a target that was far too large for its slender resources, but this time it has chosen a much smaller target, with a bid which values Hoover at $496m.

At the end of last year Chicago Pacific, formerly known as the Chicago Rock Island and Pacific Railroad Company, listed almost $240m of cash in its balance sheet. It is expected to try to finance the rest of its offer on the lines of a typical leveraged deal, which would mean securing loans against the assets of Hoover, and possibly selling off pieces to pay off debts if successful.

Hoover, which still has three Hoover family directors, is being attacked by the Chicago company when it is in the middle of a recovery phase. After running into losses of $18.8m in 1981, the group has struggled through an extensive reorganisation which included the acquisition of the minority stake in its UK subsidiary about two years ago. Last year it increased its net income to $41.2m, or $3.25 a share, from $28m, or $2.27.

Profits have been flat this year, but analysts have been impressed by Hoover's cost control measures and its new products in the higher-priced, higher-margin sector of the vacuum cleaner market. The company is also likely to benefit from any fall in the dollar, because about 60 per cent of its sales are overseas.

UK 'faces economic, political crisis as oil revenues fall'

BY CHRISTIAN TYLER, TRADE EDITOR, IN LONDON

THE UK Government was attempting last night to muffle the political impact of a gloomy report on Britain's manufacturing and trade prospects published by a House of Lords committee today.

The Lords' select committee on overseas trade warns of "a major political and economic crisis in the foreseeable future" as Britain's North Sea oil revenues taper off, unless ministers take "urgent" action to revitalise the industrial base.

Even before the report was officially released at midnight last night, the Treasury and Department of Trade and Industry had prepared replies discrediting the economic logic of the analysis.

According to the committee, which includes several eminent former industrialists under the chairmanship of Lord Aldington, Britain's deficit on trade in manufactures will not be automatically balanced when the oil surplus vanishes towards the end of the century.

Government action was required to revive manufacturing industry because the service sector could not fully replace the jobs and foreign earnings lost.

Without intervention, the committee says, Britain will become a poorer country and will suffer severe balance of payments crises requiring deflationary measures.

Welfare and defence would be hit by lower tax revenues; unemployment would remain high; and the economy would stagnate while being exposed to inflationary pressures from a falling exchange rate.

In its analysis and prescription, the Lords' report will provide critics of the Government, as well as the unions and some sections of industry, with powerful ammunition for a more interventionist industrial policy.

First reactions last night showed that ministers have been well prepared for the attack.

Mr Leon Brittan Trade and Industry Secretary, said: "This report needs to be set in perspective if we are not to get a totally biased and misleading view of the performance and prospects of our economy."

He said the Lords had missed some vital facts. Manufacturing output had risen 11 per cent since the trough of the recession; manufacturing investment was up 39 per cent and profitability up 31.31 per cent and exports were at record levels.

The committee's call for favourable financial treatment for industry is likely to be rejected by the Treasury with the argument that one sector should not be subsidised by others for possibly marginal gains.

Nevertheless the weight of evidence collected by the committee from a wide range of industries, old and new, is such that ministers will have difficulty justifying their optimism at a time when the Government's popularity is at a low ebb.

The committee sums up its report by saying: "It is neither exaggeration, nor irresponsible, to say that the present situation undoubtedly contains the seeds of a major political and economic crisis in the foreseeable future.

"Yet the nation at large appears to be unaware of the seriousness of its predicament."

Egypt asks IMF for standby of $1.5bn

By Tony Walker in Cairo

EGYPT, grappling with serious balance of payments problems, is asking the International Monetary Fund for $1.5bn in standby facilities. The request, which has not yet been formalised, was discussed recently with the IMF, which is sending a team to Cairo next month for consultation.

Dr Erfan el-Shafei, First Under-Secretary of State in the Ministry of Planning and International Co-operation, said yesterday the IMF had indicated that it was encouraged by recent steps Egypt had taken to increase prices of basic goods and services. The IMF, however, had made it clear that further progress towards exchange rate reform and price rationalisation was required before an agreement was possible on balance of payments support.

Egypt is requesting the $1.5bn in two more or less equal tranches. The Egyptian approach to the IMF follows a troubled history between Cairo and the IMF, which is highly critical of Egypt's pricing and exchange rates policies.

Basic goods and services are heavily subsidised and the various official rates for the Egyptian pound against foreign currencies set by the Central Bank of Egypt do not reflect its real value.

An IMF report in June forecast a "serious deterioration" in Egypt's balance of payments in the medium term, with a financing gap of $2.6bn for 1985–86, assuming that arrears accumulated in 1984–85 are cleared.

The IMF estimates that Egypt's trade deficit this year will be more than $6bn; that the shortfall on its current account will be about $1.8bn and its overall balance of payments deficit will be about $1.3bn after a modest surplus in 1983–84.

The IMF estimated that Egypt's external debt exceeded $31bn and that it had a debt service ratio of 35 per cent of total current account receipts.

It has been announced that the World Bank has cleared loans to Egypt of $395m which were being held up because of a disagreement over what exchange rate should be applied to funds disbursed.

It has been agreed that the money should be lent at the government-controlled variable exchange rate now standing at about 1.33 Egyptian pounds to the U.S. dollar, compared with the black market rate of about 1.60.

Egypt agreed that sub-borrowers of World Bank funds should pay a 3 per cent interest rate loading to take account of exchange rate differentials.

About half the World Bank loan will go to small industries; $125m to promote the export sector and $100m will be used in the construction industry. Repayment terms are 20 years with a five-year grace period.

THE LEX COLUMN

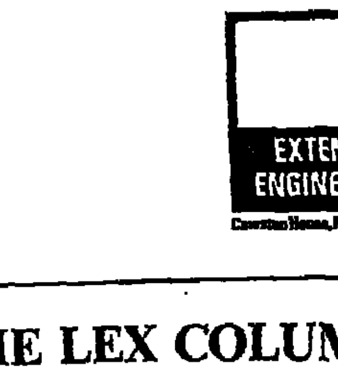
A transfer fee for Telecom

Yesterday's slanging match between British Telecom and Oftel over Mercury's access to BT's network was as predictable as it was acrimonious. BT knows that it will lose those wonderful monopoly margins on trunk and international calls and now wants to compensate by upping the charges on two of the few monopolies it retains: local calls and telephone rentals. Admittedly, these charges do not reflect their economic cost; but Oftel's view of liberalisation is that it should make BT more efficient, not just shift the burden of profit from competitive to monopoly businesses.

None the less, BT has every reason to feel sorry for itself. It may only have been a matter of time before the cracks began to show in its monopoly as UK network operator. And given Oftel's preference for free-market solutions, nobody expected Monday's determination on interconnection to prop up the edifice. But even in Mercury's wildest dreams, and BT's darkest nightmares, Professor Carsberg could hardly have come up with a solution more favourable to the newcomer. Mercury can have access to any BT main exchange and any customer; it pays a steep discount for the use of BT's facilities; and BT will be rapped over the knuckles if it tries to delay the interconnection process.

BT can do little now but wait for Mercury's first pricing move. The best outcome for both would be if BT, like Xerox when it lost its copier patent, were prepared to lose some market share gracefully in order to keep margins intact. Then both could enter into a cosy relationship in which Mercury charged slightly less than BT and picked up some profitable business customers in the process. But like most cartels, this one must be fundamentally unstable, for the margins on trunk and international calls are still large enough (probably between 30 and 50 per cent) for both operators to undercut each other and still earn a respectable return. In the long run, Mercury should win since its cost base is lower and its exchange more up-to-date.

Both share prices have been reflecting this; after the announcement, BT lost 4p, and Cable & Wireless, Mercury's owner, gained 10p. But if a price war does break out, neither will look particularly attractive. Better, perhaps, to buy shares in a company like Logica since many a City computer of the future will have to be programmed to work out which operator to use for every telephone call.



Daimler/AEG

The dramatic rise in AEG's share price when official trading in the stock re-opened yesterday has turned what was already by German standards a remarkable takeover into something very intriguing indeed.

The market had assumed that AEG's banking shareholders would be quite content to accept Daimler's DM 170 a share tender offer, given the massive premium to the shares' book worth; but yesterday's AEG closing price of DM 214 indicates the market is banking on a further premium for the remaining shareholders.

As it is, Daimler can gain control of AEG simply by buying in the bank holdings. The banks were presumably privy to Daimler's intentions and it is hard, if not quite impossible, to imagine them backsliding on the DM 170 a share offer. But if, as was suggested in Frankfurt yesterday, Daimler's tax department can gain access to AEG's past losses of up to DM 3bn through a full merger, then the market is already seeking its pound of flesh in the final price.

Harrisons

The two thirds of Pauls' shareholders who accepted Harrisons & Crosfield's cash rather than its share offer have been proved a wise bunch, whatever the blow they struck to Harrisons' self-esteem. Since the offer went unconditional in April, Harrisons' share price has collapsed with the fall in price of its main commodities; and those who swapped shares in the Suffolk prairie for plantations in Malaysia have seen their capital appreciate by just 10 per cent against 50 per cent if they had taken the cash and simply buried it.

Yesterday's results from Harrisons for the half-year to June, showing pre-tax profits down 23 per cent to £30.1m, cut its share price 10p to 330p where it yields 8.5 per cent on an unchanged dividend for the full year. At that level of return, the market could scarcely be more sceptical about an improvement in the palmoil price in time to affect the figures for the year, and even if Harrisons can raise production to match last year's record it is likely to be hit badly on comparison of year-end exchange rates. A move to average rates is on the cards.

There is scope for recovery in the U.S. chemicals business and in building supplies, held back by bad weather in the UK; but Pauls will be doing well to cover the financing cost of the takeover's cash element. Pre-tax profits for the year could well be 15 per cent short of last year.

Exco/B & C

The services of Mr John Gunn would appear to be worth between £20m and £25m to his lucky employer. At the end of last month Mr Gunn unexpectedly resigned as chief executive of Exco and the market value of that company dropped by £21m in a day. Yesterday he popped up again as an executive director – and presumed heir apparent – of British & Commonwealth, a move which promptly added £24.8m to B & C's market worth.

The transfer raises all sorts of intriguing possibilities. During his tenure at Exco Mr Gunn never disguised his enthusiasm for B & C and might not have been averse to an amalgamation of the two businesses. Now he has the opportunity to approach the idea from the opposite direction.

B & C, which has a market capitalisation of around £830m, already owns over a fifth of Exco which, as United Newspapers has just shown, represents a decent platform for a bid. The rest of Exco is valued in the market at about £385m, not much more than the net proceeds of the recent Telerate sale. So a cash offer would be largely self-financing.

This is, of course, no more than idle and uninformed speculation; but then it is only speculation that keeps the stock market awake these days.

Hanson fires salvo in SCM battle

By William Hall in New York

HANSON TRUST, the UK industrial holding company, yesterday fired another legal salvo in its two-month-old battle for SCM, the New York paints to typewriters conglomerate, and sued Merrill Lynch, the world's biggest brokerage firm, for alleged conspiracy.

Sir Gordon White, chairman of Hanson Trust's North American interests, announced the legal action yesterday, shortly before the start of a key court hearing in New York. Hanson hopes to prove that SCM and its board have breached their fiduciary duty to shareholders by backing a rival offer from Merrill Lynch which gives the huge brokerage firm the right to buy two of SCM's most valuable assets at bargain prices.

Hanson's court papers claim, among other things, that Merrill Lynch "aided, abetted and conspired with SCM's board and management in the breaches of their fiduciary duties to the SCM shareholders and that Merrill Lynch conspired with SCM's board and management which are trying to grant Merrill Lynch over $20m in fees."

Hanson Trust's advisers responded angrily to reports that SCM planned to prove that Hanson's investment banker, Rothschild Inc, had valued the two "crown jewels" at the centre of the court action at less than SCM was prepared to sell them to Merrill Lynch.

Thais pull back from £385m UK bus deal

BY BOONSONG K'THANA IN BANGKOK AND JOHN GRIFFITHS IN LONDON

HOPES by Leyland Bus of securing what would be the UK manufacturer's biggest single contract appear to have taken a severe blow with a Thai Government statement yesterday that the deal would not now proceed.

The contract, for the renewal of the bus stock and operating infrastructure in Bangkok, the Thai capital, would be worth £385m ($544m) to a UK consortium led by Leyland Bus. It would be a major contributor to preserving jobs at the state-owned BL subsidiary's three British plants.

A Thai official said after a Cabinet meeting, that the project was being terminated on the grounds that "the Thai Government's financial standing ... does not warrant a project which will create heavy foreign debt."

In London last night, however, Leyland Bus – which stands to gain orders for 4,500 buses from the project – said it believed it was "premature" to consider it had been cancelled. "We believe that the door is still open and that further negotiations are possible."

Yesterday's Cabinet statement came less than two weeks after Mr Prem Tinsulanonda, the Thai Prime Minister met Mrs Margaret Thatcher, the British Prime Minister, in London during which the potential deal was discussed.

It also coincides with a visit to Bangkok by Mr Paul Channon, the UK Trade Minister for a EEC-Asean economic meeting. Mr Channon was briefed on the bus project before leaving for Bangkok and can be expected to pursue the matter further with the Thai Government in the light of yesterday's statement.

The statement was not unexpected in Bangkok, since the Thai Government has adopted austerity measures, including a curb on overseas borrowings for state development projects. It was coupled with an instruction to the Bangkok Mass Transit Authority, the Thai party in the project, to find other methods of improving its debt-laden operation.

Leyland indicated that it believed the statement represented a deferment of a final decision rather than the project's rejection. Uncertainty created within Thailand after last month's abortive coup attempt is considered to be one factor.

The debt problem is accepted as a valid issue, but one that is open to further negotiation in terms of how a deal might be financed. So far, the UK Government is understood to have offered to contribute £20m to the project.

The UK partners are Leyland Bus, the National Bus Company and MVA Consultants. The project provided for delivery of 4,500 buses over several years, the building of 20 bus depots and reform of the BMTA's management structure.

Allies urge positive line

Continued from Page 1

that negotiation is about to get going, as there are now two proposals on the table."

Mr Shultz said other Nato members had made it clear they believed the Reagan-Gorbachev summit should be concerned not only with arms control, but also with regional tensions and with human rights questions. They hoped the summit would produce progress towards a more constructive East-West relationship and not simply an improved U.S.-Soviet dialogue.

On the question of SDI, Mr Shultz said that President Reagan had taken a decision to observe the strictest interpretation of the ABM treaty, although it was ambiguous on whether testing as well as research could be included in the programme.

He said SDI had been designed to include only research and to answer the question of whether it was possible to defend against ballistic missiles.

'Threat' to London SE

Continued from Page 1

AIBD's overseas exchange would be subject to far less onerous requirements for business rules and reporting.

The exchange fears that the standards of its own regulatory framework might fall if it has to compete with another regulatory organisation. Moreover, it is worried that some groups may decide not to participate fully in the exchange with an alternative available.

In an effort to keep the international securities dealers in the exchange, its authorities are considering lowering the cost of entry

World Weather

		°C	°F
Ajaccio	S	23	73
Akrotiri	S	24	75
Algiers	S	26	79
Amsterdam	C	14	57
Athens	F	16	61
Bahrain	S	33	91
Bangkok	S	33	91
Barcelona	S	23	73
Beirut	C	20	68
Belgrade	R	6	43
Berlin	F	14	57
Biarritz	S	20	68
Blackpool	C	13	55
Bordeaux	S	22	72
Brussels	C	13	55
Budapest	F	15	59
B. Aires	R	19	66
Cairo	S	28	82
Cape Town	S	19	66
Caracas	C	29	84
Casablanca	–	–	–
Copenhagen	S	15	59
Corfu	S	19	66
Dublin	S	16	61
Dubrovnik	C	18	64
Faro	S	25	77
Florence	S	19	66
Frankfurt	C	16	61
Funchal	S	25	77
Geneva	S	18	64
Gibraltar	S	23	73
Guernsey	C	14	57
Helsinki	S	8	46
H. Kong	F	28	82
Innsbruck	C	10	50
Inverness	C	14	57
Istanbul	R	14	57
Jersey	D	14	57
Jo'burg	F	22	72
Las Palmas	S	25	77
Lima	C	19	66
Lisbon	S	21	70
Locarno	S	19	66
London	D	15	59
Los Angeles	S	32	90
Luxembourg	D	12	54
Madrid	S	22	72
Majorca	S	25	77
Malaga	F	25	77
Malta	S	21	70
Manila	S	33	91
Miami	S	30	86
Milan	S	17	63
Moscow	S	6	48
Munich	D	9	48
Nairobi	F	27	81
Naples	F	20	68
New Delhi	C	27	81
New York	S	24	75
Nice	S	23	73
Oporto	S	24	75
Oslo	S	11	52
Paris	C	13	55
Prague	S	12	54
Reykjavik	D	10	50
Rio de J'o	C	30	86
Rome	S	20	68
Salzburg	R	10	50
Seoul	S	23	73
Singapore	F	31	88
Stockholm	F	10	50
Strasbourg	C	12	54
Sydney	F	20	68
Taipei	S	32	90
Tangier	S	–	–
Tehran	S	–	–
Tel Aviv	S	25	77
Tenerife	–	–	–
Tokyo	F	18	64
Toronto	S	14	57
Tunis	S	25	77
Valencia	S	25	77
Venice	S	15	59
Vienna	F	15	59
Warsaw	C	8	46
Zurich	F	14	57

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Japan acts on trade

Continued from Page 1

aster reconstruction and Y70bn in extra public works spending by para-statal organisations.

● Y400bn from the bringing forward of already planned capital investment by the leading electricity and gas utility companies, which have committed themselves to a Y1.1tr investment programme over the next three years. The Y400bn constitutes the first instalment.

In addition, consumer finance rules for the purchases of cars, trucks, buses and televisions are being relaxed. The repayment periods of 30 months for cars and 24 months for television are being abolished, while that for large trucks and buses is being extended from 28 months to 30 months.

Finally, the Government said it would push, over the longer term, for an extra 10 new holidays or days off for all employees over the next five years, to bring Japanese working hours in line with Western practice.

It said it would encourage longer operating hours for automated bank tellers and cash dispensers to increase the Japanese propensity to spend and hoped that the banks themselves would engage in more consumer lending. However, no details on this were forthcoming.

PLO man 'wanted statement changed'

Continued from Page 1

PLO executive – were opposed to violence and recognised Israel's right to exist.

"The precise sequence of events was that the Palestinians came to London on Sunday, and it was at that point that they felt that they could not accede to the conditions set out," said Lady Young.

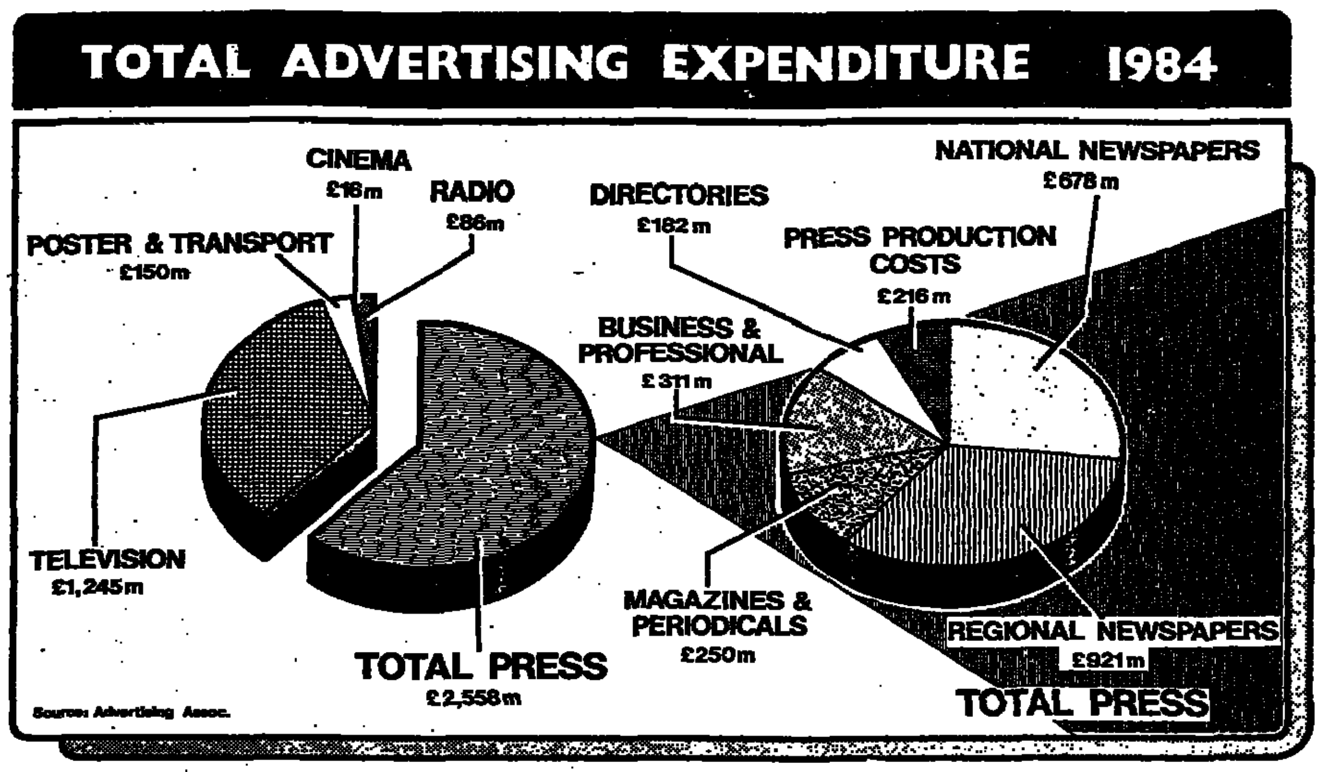
She said: "We set out the conditions for the talks, and it is disappointing that conditions which were previously agreed before the Palestinians came to London were not agreed to on their arrival here.

"It is for that reason and no other that the talks did not take place."

SECTION III
FINANCIAL TIMES SURVEY

ADVERTISING

The UK advertising industry is concentrating on containing costs as pastures prove less rich than in previous years. The removal of the restrictions on advertising by many of the professions is, however, cpening up new cpportunities.



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Tougher climate slows growth

By Feona McEwan

FOR THE UK advertising industry, it has been a year of contradiction and of mixed fortunes. While the industry has continued its expansionist path with record levels of spending, growth has, nevertheless eased. The canter of the last few relatively lush years has slowed to a steady trot.

Embryonic satellite and cable transmissions have offered agencies, advertisers and media owners a sample of tomorrow's world of fragmented audiences. But it is still early days, and the new media explosion has yet to register substantial changes in the world of advertising.

Advertisers remain more concerned with effectiveness and want ways to be devised for stretching the media pound to its limits. Wastage is out and accountability is in.

The dominant issues of the past year include the Peacock Inquiry into the future funding of the BBC. This has flushed the whole advertising on-the-BBC debate into the open offering as it does the potential to influence the course of revenues across all mediums. The erratic revenues of commercial television experienced during the last six months have also been a major cause for concern and rattled the normally bullish contractors.

There was, too, the initial damp squib of cable, struggling for birth in a lukewarm climate —the number of homes capable of being supplied is on the increase but the number of consumers actually subscribing is falling. Then there was the satellite fiasco, as the British DBS venture fizzled out.

In press circles, Eddie Shah's plan for a hi-tech popular daily national paper, produced locally and in colour, presents a strong challenge to Fleet Street's traditional old-fashioned methods of production.

Meantime, the regionals continue to face pressure from the give-away newspapers which have enjoyed another year of strong growth.

In sheer revenue terms, however, 1984 was a winner for the advertising industry. Total expenditure rose to an all-time high, breaking the £4bn barrier, to show a 13 per cent increase, at £4.055m, over 1983. It also captured a record 1.49 per cent of gross national product.

According to Mr Jeremy Bullmore, chairman of the Advertising Association, and of J. Walter Thompson in London, the figures suggest that the contribution of advertising spending to profit continues to be recognised. Its value is also appreciated, he argues, in newer advertising sectors such as financial services and office equipment.

Notable newcomers to the advertising arena have been the professions — opticians, architects, chartered accountants and solicitors — even if they do not yet represent substantial sums of revenue.

Plunging revenues

The past year, nevertheless, has been one of trauma for television. Plunging revenues in real terms over six months sent the independent contractors, cosy in their monopoly, into a flurry of marketing activity and led to much industry analysis as to why.

Both new television channels —Channel 4 and TV-am have earned their laurels and are universally deemed a success, both as channels and as advertising mediums. TV-am looks set for a modest profit this year.

Views in the industry itself on whether the BBC should accept advertising vary. The IBA and the independent TV contractors, long used to their commercial monopoly, argue that there is not enough advertising to go round; that ITV would be undermined; and that programme quality and choice would suffer.

The advertisers and agencies, keen to touch new audiences, argue for a cautious start (two minutes an hour on BBC2 has been suggested to be increased as revenue allows). Preserving the licence fee system as the basis for funding the BBC will lead, they argue to a steady decline in the range and quality of service.

Total press advertising revenue was marginally up in market share for 1984 at the expense, it seems, of television but the drop in classified (mainly recruitment) in the first months of this year led the AA to forecast lower real growth (like TV) of just 2 per cent for 1985, to a total of £2.33bn. The following year this is expected to rise by some 4 per cent.

The regional press is surprisingly bullish. "For the first time in 11 years its share of ad revenues has not decreased in real terms," says Mr Alan Garth of the Regional Newspapers Advertising Bureau.

Free distribution papers remain a serious threat in the fight for revenue. With nearly 800 titles on the streets, saturation point cannot be far off. In some areas there are as many as five titles vying for attention, a case of what Mr Dugal Nisbet-Smith, director of the Newspaper Society, calls "letter box fatigue."

After the initial euphoria of blanket circulation and cheap rates, advertisers are demanding more detailed readership information. "It has been a coming of age year," says Mr Ian Locks of the Association of Free Newspapers. The story is consolidation with many of the leading publishers of paid-for papers—including Reeds, Ladbrokes, Morgan Grampian — now buying up or launching their free newspapers or magazines. Free magazines have also burgeoned with some 304 titles, a rise of 37 per cent over 1984.

The country's third largest advertising medium, direct mail, last year improved on its poor fortunes in 1983 when mail order houses' problems forced a drop of 4 per cent in real terms to £299m. The rise to £324m in 1984 is partly due to newer advertisers using the medium, especially financial services, the motoring industry, holiday and travel companies.

Next month postage rates for second class mail come down and this could cut 10 per cent off costs all round. The Post Office is launching an incentive scheme for attracting new advertisers to test the medium.

Radio continues its uphill battle in revenue terms, but the last 12 months have not given the medium much to smile about. But unlike its big brother, radio has shown no last-minute recovery and the chill wind that knocked TV sideways early this year has succeeded in pushing expenditure down 8 per cent in real terms compared with the mid 1983/4 period.

Government plans for independent community radio remain a worry, and with one station closing and others looking to amalgamate, the outlook remains unsettled.

The **poster** industry is enjoying a rare period of favour in advertising circles. At long last the promised Outdoor Site Classification and Audience Research (Oscar) (which has classified every poster site in the country in terms of pedestrian and vehicular traffic) is on stream, giving advertisers vastly improved information to help plan advertising campaigns.

Cinema is also enjoying improved fortunes. There has been a rise in the number of seats sold after a long-term trend that has seen admissions almost halved in the last five years. The tailing off of the video boom and special events like British Film Year, is seen by the AA as fuelling the current recovery, but whether cinema sustains this momentum remains a moot point. Cinema advertising collected some £16m revenue in 1984 which is 0.4 per cent of the total media cake.

City interest in the advertising industry remains high but there is now greater caution.

More realism

"There's a touch more realism about now," says Mr Mark Shepperd, analyst with Phillips and Drew. The problem for agencies coming forward is that with the novelty gone, and some of the most successful agencies already on the market, they need to find a uniqueness that marks them out from the crowd, according to Mr Neil Blackley, analyst with James Capel.

In general, the UK industry continues to adopt measures to put its house in order and present an increasingly hard-headed businesslike approach. Signs of this include the improved audience measurement systems for both television and posters, an increasing emphasis on management expertise within agencies, and serious attempts to crack down on production costs.

Internationally, industry minds have been trained on the European Commission's Green Paper, "Television without Frontiers," which is the forerunner to draft directives on broadcasting throughout the Community. The UK industry is urging a minimal regulatory framework to allow ads to travel freely, though the complexities of harnessing 12 countries, and their disparate rules, is considerable.

The year 1985 is seen by some observers as a watershed. The year the future arrived, albeit on tiptoe. Only 1986 and beyond will prove this of course. Meantime the question remains how adeptly the industry can harness the new opportunities lying almost within its grasp, and use them to communicate advertising messages more effectively, more accurately and more comprehensively.

On this and the following page progress reports on how the industry is faring in other countries

Barriers at the frontier

Europe

FEONA McEWAN

THE EUROPEAN advertising business is *in a state of flux.* Behind this lies the fact that the media landscape on the Continent is evolving at a steady lick as television, not in all countries a *prime advertising medium,* takes the multichannel route.

Whatever the technology, (satellite, cable or landbased channels) the medium is proliferating at a rapid rate, if not always with advertising in mind.

The past year has, nowever, given advertising fraternities of *different nations the chance to* examine at closer quarters the promises and problems of true trans-frontier advertising as the multichannel television explosion, *already familiar in Japan* and the U.S. beams in "foreign" programmes. The pioneers have landed and all eyes are on them —particularly the satellite-delivered, cable-serviced, advertising-funded channels like Sky Channel (now in more than 3.6m homes) and Music Box (in more than 1.5m homes). There are some 13 other channels relayed in Europe multinationally with 10 more in the pipeline.

But the European media revolution has teething problems. Legislation, for one thing. At the same time as there is a *move afoot to relax controls on* television airtime to permit advertising on channels hitherto free of ads and so allow one country's ads to be seen in other countries, there is a move towards tighter restraints in the name of harmonisation and among countries worried about protecting national identity.

The British Advertising Association, which works with the European Advertising Tripartite to monitor and forecast Europe's advertising expenditure patterns, has pointed out some of the consequences. EEC proposals for rationalising the Community's disparate advertising rules (*ranging from law,* as in Germany, to self-control as in UK) may indeed make it easier to sell goods, services and programmes simultaneously across the continents, *it says.*

However, if the document "Television Without Frontiers" was adopted in principle it could mean tobacco, as distinct from cigarette, advertising, not yet banned in Britain, is banned everywhere; advertising of alcoholic drinks, particularly spirits, will be forbidden or severly restricted. All kinds of advertising felt to be *injurious to the susceptibilities* of children will be affected and the concept of sponsorship between programme producers and advertisers may be outlawed.

Big expansion

What is clear is that the next five years will see a big expansion in the amount of commercial airtime available both through channels currently taking advertising and from existing channels deciding to accept advertising.

So much for the technology which is moving apace. But what advertisers are waiting to find out, of course, is who will be the people watching these channels.

Broadly speaking, advertising expenditure in Europe has been *rising at a higher pace than* inflation and the outlook is for relatively steady expansion in the major European countries in the next five years.

Andre Bernard, international media co-ordinator of agency SSC & B Lintas, senses a more positive attitude these days in Europe towards advertising. "After years when the market was stagnating it is a sign of renewed confidence in the future or in the power of advertising as an anti-recessionary tool."

According to the Advertising Association, four countries accounted for 70 per cent of all continental advertising in 1983 —namely Britain, France, West Germany and Italy. Europe's advertisers spent $4.3bn on television in 1983, accounting for 20 per cent of the total expenditure. And with TV the key growth area of the future, the AA is predicting an increase in real terms of 7 per cent in France, 4 per cent in West Germany and static growth in UK.

Among the big four European spenders, Germany is tipped as the ripest for an increase in commercial TV airtime, having the richest economy. The existing broadcasting network provides only 240 minutes a week (compared with 1,100 minutes a week in Britain) and is booked up a year in advance.

France has shown a willingness to expand its provisions of commercial airtime with the Bredin Report in May. This *proposes a pluralistic TV regime* of some five networks, making it second only to the multiple networks of Italy with two advertising-supported networks of *local* stations, three *State* networks and a private overair pay-TV, Canal Plus, all ultimately with national coverage.

At the moment, Denmark and Norway have no commercial television but both are planning a second broadcast network financed by advertising. Sweden, long opposed to advertising on TV is showing signs of weakening. Benelux countries are currently the most wired up of them all.

Getting the commercial airtime and hardware in place is one thing, legislation another. Then there is the language barrier which presents advertising with a very real obstacle in the truly mass European audiences. Europa TV in Belgium, for instance, is experimenting with the possibility of providing three, four or five different sound tracks and letting local cable decide which to choose but this poses serious technical problems and is very expensive.

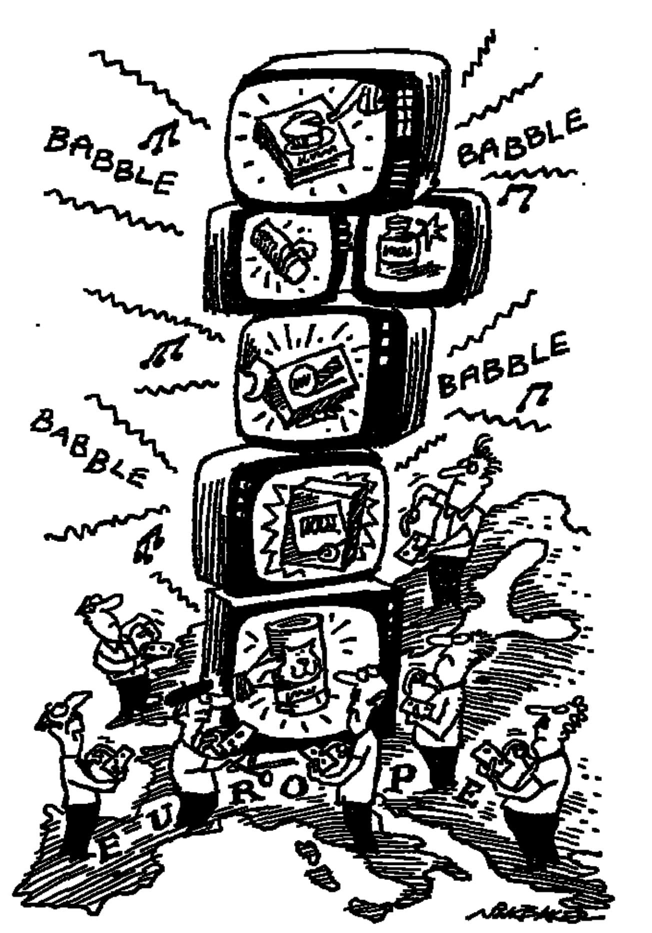
Previously, suggests Andre Bernard, the best medium for reaching mass continental audiences were inflight magazines, rarified business magazines or low circulation international newspapers, most of which aimed at the top end of the market. Now for the first time advertisers face the prospects of tapping a truly mass European audience. If and when that happens, it confronts advertisers with problems of alignment in everything from pack*aging to advertising.*

For the moment, the total with TV connected to cable is put at 10m (mostly in the Netherlands and Belgium) out of a potential of 120m. Indeed it is not obvious, concludes the AA, whether European advertisers will go over-board for the new kinds of TV, especially if they cost money. "In the end it will be a battle of programming not technologies," says Andre Bernard.

Fears

Many fear that traditionally strong media, especially press, will be seriously affected if *more commercial TV is* available. Experience does not support this, suggests the AA, which cites Italy, where despite the explosion of TV advertising the real value of newspaper advertising rose by two fifths in the seven years to 1983.

The opportunities for advertisers of more channel choice means more selectively fragmented audiences, defined by interest rather than demographics.



European advertising and media forecast

(current prices, local currencies)

		Total	Press	TV	Radio	Cinema	Outdoor
UK	1984	4,055	2,558	1,245	86	16	150
	1986	4,729	3,012	1,432	99	18	168
	% change	16.6	17.7	15.0	15.1	12.5	12.0
France	1984	21,020	10,510	4,204	2,207	526	3,573
	1986	26,613	13,153	5,584	2,794	553	4,524
	% change	26.6	25.1	32.8	26.6	5.1	26.6
Germany	1984	13,324	10,862	1,356	534	117	455
	1986	14,830	12,054	1,557	593	122	504
	% change	11.3	11.0	14.8	11.0	4.3	10.8

Source: The Advertising Association and the European Advertising Tripartite.

Consumers call different tune

THESE ARE not the best of *times* for the Japanese advertising industry, the second largest in the world after the United States. Ad spending is expected to grow only 3.5 to 4 per cent this year, the lowest *rate of* growth since Japan reeled from the blows of the 1973 oil crisis.

The ad industry's weakened condition partially reflects the slowdown in growth of disposable incomes among Japanese households.

It is also the result of a major turning point in consumer buying patterns in Japan. The Japanese are breaking away from purchasing mass consumer products that are heavily advertised.

The trend is towards market segmentation and specialised goods that are less susceptible to being sold through the mass media, the traditional source of income (and strength) for the ad industry.

Faced with a sluggish future, *major Japanese agencies, such* as Dentsu and Hakuhodo, are rapidly diversifying into related marketing and communications areas, while venturing overseas *in search of new business.*

Agencies, for example, are aggressively moving into direct marketing, which is just beginning to develop in Japan. Dentsu and Dai Ichi Kikau have linked up with American direct marketing firms and other similar joint ventures are soon to follow.

Due to their early entry into the field, it is expected that the agency share of the direct marketing business will amount to 55 per cent, a higher ratio than in the U.S., within the next several years.

Japanese agencies are also playing a more prominent role than their U.S. counterparts in arranging the sponsorship and promotion of sports and cultural events.

Dentsu, for instance, acquired the Japanese sponsorship rights to the 1984 Los Angeles Olympic Games and it was a major co-ordinator of the recent Tsukuba Science Expo near Tokyo.

It also has a 50 per cent stake in Lausanne-based ISL, which is handling the marketing rights to the 1986 World Cup Games in Mexico City and may do the same for the 1988 Olympic Games in Seoul.

Agencies are eagerly acquiring equity in the range of "new media" systems blossoming in Japan.

Dentsu, Hakuhodo and Tokyu have purchased small shares in several urban cable TV (CATV) networks and the country's first commercial direct broadcast satellite channel. These agencies along with several others helped pioneer the development of teletext and videotex in Japan.

Dentsu and Hakuhodo are also leading partners in rival companies that plan to supply programming to cable stations and they are promoting cable in other ways, including setting up CATV consulting businesses and training personnel to staff the stations.

This activity is aimed at guaranteeing the agencies access to major blocks of advertising airtime on the "new media" channels, a repeat of the strategy they used after the war in gaining a lockhold on advertising space in newspapers and on television.

While the advertising industry tries to broaden its domestic services, it is also attempting to *break out of its isolationist* shell and become international.

Japanese agencies have taken advantage of the upsurge of interest among Western multinational agencies in establishing a presence in Japan by setting up joint ventures with them.

Japan

JACK BURTON

The joint ventures have benefited Japanese agencies in two ways. They acquire new accounts, channelled through their Western partners, from American and European companies coming to Japan.

More importantly, the joint ventures serve as a springboard for Japanese agencies to expand overseas. Shy about tackling the international arena on their own, Japanese agencies are relying on the support and knowledge of their Western partners in entering the competitive American and European markets.

The most successful example *of the joint venture arrange*ment is DYR, the collaborative effort of Dentsu and Young & Rubicam, the world's two largest agencies. Since its inception in 1981, Dentsu has beefed up its presence in Southeast Asia and the U.S. and it will soon expand in Europe.

The goal of DYR and other joint ventures is to capture some of the huge ad budgets (worth at least $1.5bn) spent by Japanese firms abroad. With Japanese agencies virtually absent from major export markets until recently, most Japanese ad spending overseas has been handled by American multinational agencies.

If Japanese admen are able to overcome the difficult cultural barriers involved in marketing overseas, the Japanese ad industry could once again look forward to the healthy growth rates it knew in the go-go years of the 1960s.

Professions dip in a cautious toe

THE CONCEPT of accountants, solicitors, and other august professions being freely allowed to advertise their services would, only a few years ago, have seemed something of a pipe-dream.

Yet over the past 12 months firms of accountants and solicitors have been gradually getting used to the idea that the relaxation of restrictions on *advertising* is something that is here to stay.

Since the lifting of restrictions in both professions, however, many practices have still *appeared* wary of embracing what for many years was considered one of the worst sins that accountants or doctors could be guilty of. Only the *largest accountancy firms and* a few of the more entrepreneurial smaller practices have taken advantage of the new freedom.

Solicitors have been generally more cautious about using advertising, perhaps uncertain about just how far they can go under the Law Society guidelines.

The most common form of legal advertising appears in local newspapers and is a small box advertisement simply giving the solicitor's name and number. Some, however, have gone slightly further with brazen claims such as "How to fight back if you've been ripped off!"

Of accountancy firms, Deloitte Haskins and *Sells are one of* the largest advertisers in the national press, advertising not only traditional areas such as tax advice but also newer services such as computer software products and corporate financial services.

Mr Gareth Stainer, Deloitte's marketing partner, says that "advertising has been much more tangibly successful for us than we expected." He adds that "it has made us focus *more precisely on the key* benefits which specific services offer to particular types of client."

Deloitte's is also pleased with the response to its adverts so far. "The conversion of responses to actual new business varies from product to product but in the best cases we estimate that the resulting fee income pays for the advertisement more than five times over," Mr Stainer adds.

Yet the impact of advertising by the professions so far has still to make itself really felt with most accountants and solicitors seemingly reluctant to become involved.

The major UK advertisers, therefore, remain traditional producers of consumer goods and services such as Procter and Gamble and Unilever.

The newcomers

DAVID CHURCHILL

These two companies, in fact, again top the league tables compiled by *Media Expenditure* and Analysis Limited (MEAL) for 1984. But again last year it was British Telecom that forced its way into the league *of Britain's biggest spenders* on advertising.

In 1983 BT rose 21 places in the league table of advertisers by trading company—as *distinct from holding* companies —putting it in sixth place. This year it jumped to second spot by spending some £42.8m on advertising, especially promoting *its* share flotation, compared with £27.2m in 1983. The increase, however, was partly a result of BT's Yellow Pages advertising being included for the first time.

BT spent the bulk (87 per cent) of its funds on television advertising with the remainder *on Press. It used six agencies,* according to MEAL, which were: Abbott Mead Vickers, Ayer Barker, D'Arcy MacManus Masius, Davidson Pearce, Dorlands, Geers Gross, KMP.

Procter and Gamble stayed in number one spot despite spending less on advertising in 1984 than it did the previous year. Its 1984 expenditure was £48.9m, compared with £52.9m in 1983. As usual, the vast bulk of P and G's advertising budget was spent on television with only a paltry £166,000 spent in the Press.

P and G was not alone in spending less on advertising in 1984 than 1983. Five other companies in the top 10 advertisers also reduced their expenditure, suggesting that the buoyancy of advertising revenues overall may have come more from rising stars than traditional advertisers.

Mars dropped to the number three place because of BT's rise, spending £28.6m compared with £33.9m the year before. Mars also is overwhelmingly in favour of television advertising as opposed to Press.

Mars' subsidiary company, Pedigree Petfoods, rose two places from seventh in 1983 to fifth last year. This was helped by a slight increase in expenditure, from £23.6m to £24.9m.

Two newcomers to the top ten advertisers were Ford and Nestlé. Ford rose from sixteenth to seventh, largely as a result of combining the advertising by two divisions which formerly were treated as separate companies. Nestlé moved from eleventh to eighth with an increase in spending from £20.7m to £24.2m.

Overall, however, there was little movement in the top 20 advertisers except for Austin Rover jumping from number 32 to number 17 position, while MFI rose from 27 to 19. Lever Brothers and British Rail made way for these two newcomers.

Analysis of the top 20 advertisers reveals that they accounted for some 18 per cent of total expenditure in 1984, compared with 17 per cent the year before. The top 100 accounted for 42 per cent of the total, as well 50 per cent of television advertising and 31 per cent of press.

The MEAL table of advertisers by holding company—who are often able to negotiate group discounts or who have group advertising policies—also showed little change. Unilever remained at number one with total spending of £82.2m, slightly down on its 1983 figure of £81.7m.

Year of consolidation for the agencies

U.S.

FRANK LIPSIUS

COMPARATIVE advertising comes in with economic recession, a sign that companies expect to steal their competitors' clients to make headway in bad times. Tearing down the competition is back with a flourish this year, along with doldrums in Madison Avenue.

The latest example is a snide Wendy's Hamburgers pitch denigrating McDonald's and Burger King with a chorus of "Happy Birthday to You" for the competitors' products that may presumably be a year old because they are not made to order.

Could this be what Edward H. Meyer, the chairman of Grey Advertising, means in advocating in more mild language the need for "copy with a more pragmatic tone that emphasises the real worth of products and appeals less overtly to people's sense of self-indulgence?"

Royal Crown Cola has entered the fray in order not to get squashed by the cola wars between Coke and Pepsi, distinguishing itself by showing the competitors' popularity with the commissars in Russia and China compared with its own enthusiasts among the dissidents.

Pepsi, for its part, spoofed its main competitor by rolling out the new Coke in foreign countries, perhaps, rumours have it, in anticipation of a Pepsi Supreme line of less-sweet cola to match Coke's doubling of its flagship brand. As the Pepsi rumours imply, Coke seems to have stumbled on a winning formula for getting shelf space in the competitive shopping-market arena.

The heads of the leading advertising agencies call their clients "cautious," waiting for action in Washington on the economy. The discouraging mood is caught in the remark of Keith L. Reinhard, chairman of Needham Harper Worldwide, who expects cuts "across the board" from existing clients and the need to find new clients to do more business.

John J. McNamara, the president of McCann-Erickson, finds "people standing on the sidelines" and therefore expects "a mediocre fourth quarter." At Young & Rubicam, president Alexander Kroll sees "more cutting than adding at this point."

The statistics confirm the bearish signs, with glaring examples of computer companies slashing magazine ad pages by 20 per cent mixed in among the scuttlebutt (gossip) that companies want agencies to pare ad production costs. Advertisers are also looking for less expensive buys on a per-thousand basis than national network spots.

National advertising is expected to rise a respectable 9 per cent this year to $96bn, which looks bad only in comparison to 1984's 16 per cent rise, thanks in part to the Olympics and presidential campaigns.

Much of the growth is accounted for by increased competition, so that 1,800 American and foreign non-trade magazines, up 22 per cent from 1980, leave less prosperity for each one, with Business Week down 9.4 per cent in advertising revenues this year, Sports Illustrated off 12 per cent and Scientific American reduced to 33.5 per cent.

Cable television revenues are expected to increase by 25 per cent this year to approach $500m. Though the average prime-time network 30-second spot jumped this year to $119,000 from $104,000 last year, sales for the new season were off to a slow start and estimates for the year's network revenues by Edward Atorino of Smith Barney Harris Upham and Company are up only 3.5 per cent to $8.8bn.

The big news of the year mirrors the down-cast symptoms of the times. The largest advertising-agency merger ever, the creation of D'Arcy Masius Benton & Bowles out of Benton & Bowles and D'Arcy MacManus Masius, created the fifth largest agency worldwide, with $2.4bn in billings, but has to be viewed as a sign of consolidation in the advertising industry.

It followed only by weeks Bozell & Jacobs' announced merger with Kenyon & Eckhardt, and a sense that mergers in other industries could not help affect a service business dependent on merged clients.

Coca-Cola's far-from-classic reintroduction of its original formula brand embarassed the market survey industry, which got a quick but painful lesson that blind tests do not a product make. With the blinders off, Americans were incensed that a company would rewrite history for a taste test, gratifying if reproachful notice that consumers can take their favourites more seriously than their supposed guardians.

Few, however, mourned the passing of the Wards catalogue, a product that fell behind the times, as more Americans of the most sophisticated sort supplanted the farmers of another era among buy-at-home customers.

Demographic and employment shifts have made mail-order one of the greatest growth areas of marketing, but not for the behemoth books of products that can be bought cheaper and more easily at local discounters. Instead, it is the exotica that has caught on among the 70 catalogues that the average buy-at-home family can expect to receive by Christmas this year in their postboxes.

In previous years, advertising media got a boost from new products like video games and home computers. This year's new product being heavily promoted in advertising is video software, the success of which will only cut further into the networks' loss of viewers.

The networks are already losing audiences to other kinds of entertainment provided on TV screens, ranging from free to pay-per-view cable programming. With the networks moving toward 15-second commercials to replace the now standard 30-second ones, advertisers have to worry not only whether their expensive pitches will be lost to clutter but also whether network television itself will be the ultimate loser.

A number of the new media carry no advertising while viewers who tape network shows to watch on their video cassette recorders usually fast-forward past commercials.

The low acceptance of commercials has stood out as an issue that makes some advertisers willing to go all out to produce spectacular commercials, including ones that barely mention the product. Two of the networks were themselves involved in takeover (for ABC) or threatened takeover (CBS), actions which entailed considerable debt for both. Whether the advertising community will be expected to pay the cost once the economy recovers remains a cliffhanger for a future season.

TOP TEN U.S. AGENCIES

IN WORLD INCOME
(Gross income in $m)

Rank '84	Rank '83	Agency	1984	1983	% change
1	1	Young & Rubicam	480.1	414.0	16.0
2	2	Ted Bates Worldwide	424.4	387.9	9.4
3	4	Ogilvy & Mather Intnl	421.0	345.8	21.7
4	3	J. Walter Thompson Co.	405.8	368.3	10.2
5	6	BBDO International	340.0	292.0	16.4
6	7	Saatchi & Saatchi Compton	337.5	253.3	33.3
7	5	McCann-Erickson	325.2	267.2	21.7
8	9	Foote, Cone & Belding	268.5	208.4	28.9
9	8	Leo Burnett Co.	253.5	216.5	17.1
10	12	Grey Advertising	224.2	183.5	22.2

IN U.S. INCOME
(Gross income in $m)

Rank '84	Rank '83	Agency	1984	1983	% change
1	1	Young & Rubicam	323.1	274.4	17.8
2	3	Ogilvy & Mather Intnl	270.5	204.1	32.5
3	2	Ted Bates Worldwide	263.2	244.4	7.7
4	4	BBDO International	235.0	199.0	18.1
5	5	J. Walter Thompson Co.	218.2	188.3	15.9
6	6	Foote, Cone & Belding	196.9	158.9	23.9
7	8	Leo Burnett Co.	163.2	135.0	20.9
8	10	Saatchi & Saatchi Compton	157.4	110.9	42.0
9	9	Grey Advertising	155.1	125.1	24.0
10	7	Doyle Dane Bernbach Intl	154.1	144.6	6.6

IN WORLD BILLINGS
(Billings income in $m)

Rank '84	Rank '83	Agency	1984	1983	% change
1	1	Young & Rubicam	3,202.1	2,761.4	16.0
2	4	Ogilvy & Mather Intl	2,887.9	2,360.4	22.3
3	2	Ted Bates Worldwide	2,839.2	2,586.1	9.8
4	3	J. Walter Thompson Co.	2,706.7	2,456.2	10.2
5	7	Saatchi & Saatchi Compton	2,301.7	1,710.6	34.6
6	6	BBDO International	2,275.0	1,969.0	15.5
7	5	McCann-Erickson	2,169.4	1,782.2	21.7
8	9	Foote, Cone & Belding	1,802.3	1,405.6	28.2
9	8	Leo Burnett Co.	1,734.8	1,485.3	16.8
10	11	Doyle Dane Bernbach Intl	1,510.6	1,321.0	14.4

IN NON-U.S. BILLINGS
(Billings income in $m)

Rank '84	Rank '83	Agency	1984	1983	% change
1	1	McCann-Erickson	1,378.9	1,145.9	20.3
2	2	J. Walter Thompson Co.	1,251.4	1,200.7	4.2
3	4	Saatchi & Saatchi Compton	1,206.4	938.8	28.7
4	3	Ted Bates Worldwide	1,084.4	957.1	13.3
5	5	Ogilvy & Mather Intl	1,083.6	999.0	8.5
6	6	Young & Rubicam	1,047.0	931.2	12.4
7	7	SSC&B: Lintas	815.6	708.9	15.1
8	8	BBDO International	694.0	620.0	11.9
9	9	D'Arcy MacManus Masius	629.6	546.1	14.4
10	10	Leo Burnett Co.	601.9	571.2	5.4

Source: Advertising Age.

CAMPAIGN: DULUX By ANTONY THORNCROFT

Making white stand out

ADVERTISING which wins prizes for its creativity is usually ineffective in the market place: that at least is the old adage, and one that must have comforted many also-rans in the competitions. But there is now an advertising award which is directly linked to the contribution of the advertising to the prosperity of the business—the Advertising Effectiveness Awards, given every two years by the Institute of Practitioners in Advertising to campaigns which have measurably worked. The most recent winners have been Dulux paints, and agency Foote Cone and Belding.

ICI had a problem with Dulux. Its range was still the best selling paint in the country, but its whites (and white paint accounts for well over half the market), were in decline. Competition from cheaper own-label lines had reduced white paints to a commodity market, with customers increasingly buying on price. After all white paint was white paint.

ICI decided to challenge the competition by researching for an improvement in its product which would re-establish its edge. But this would take time. As an immediate strategy it was prepared to fight on price while for the medium-term it looked for an approach which would differentiate its whites from the competition. In effect it wanted an effective advertising campaign built round a credible product plus.

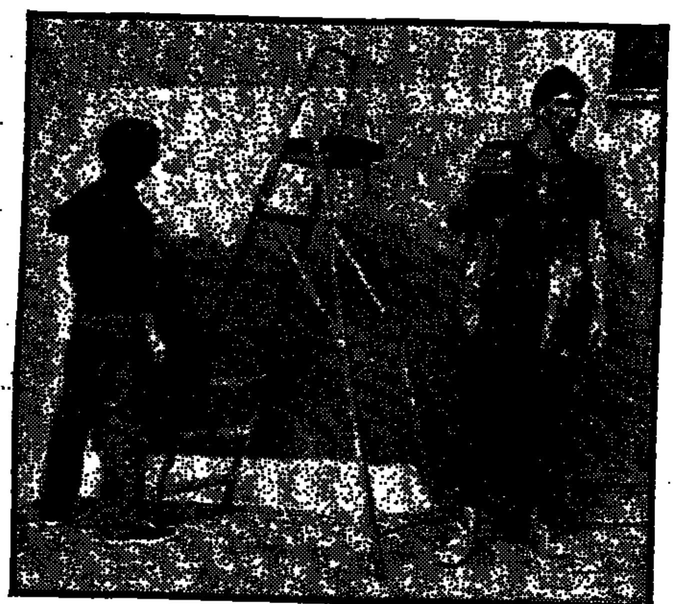
With the agency ICI did the standard things—it researched the opinions of both the public and decor experts; it examined, unsuccessfully, ways of quickly improving the product to justify a price premium; and it looked at other Dulux paints around the world. This last avenue provided the answer—a colour card with a range of tinted whites.

Tinted whites were a simple, cheap, but inspired solution. They did not frighten off the conservative buyer of white paints but opened up an alternative market segment. Apple White, with a hint of green; Rose White, with pink; and Lily White (cream) were actually marketed as a new range of whites, boldly promoted as Natural Whites.

With advertising support of £2.8m, plus £400,000 in point of sale material, they arrived in the shops in the spring of 1982. Two years later they held brand leadership of what is basically a new market sector, and within the long-established white emulsions market had achieved a 17 per cent volume share. It had also maintained an extra profit margin of at least 15 per cent over brilliant whites.

Much of the credit goes to Foote Cone & Belding—well over 80 per cent of the buyers of Natural Whites had decided on their purchase before entering the store. The advertising commercials used some effective firsts: it was the first time Dulux had used animation; more to the point it was probably the first paint commercial which did not show paint.

Of course within six months the competition had come up with similar products but the time was enough for Dulux to perfect Solid White, its technological breakthrough, as against the marketing breakthrough of Natural Whites. Even so there are now six colours in its range and it has made a major contribution in boosting the dominance of Dulux in a very competitive paint market.



A commercial that says there's more than one way white paint

Satellites have something to beam about

TV & new media

RAY SNODDY

THE BATTLE is on for the pan-European television advertising market as some at least of the satellite-delivered new media make the difficult transition from theory to commercial reality. The pioneer satellite service, Rupert Murdoch's Sky Channel, is now expected to break even for the first time within the next few months.

Sky, which is transmitting 17 hours of programmes a day, now has three or four of a long list of advertising clients spending in excess of £1m a year. They include Mattel, the toy company.

The channel which charges £1,750 for a peak time 30 second slot had until a recent expansion of transmission hours been filling all its advertising time and, according to Mr Tony Logie, director of sales and marketing at Sky, is still achieving around 80 per cent capacity.

A key reason for Sky's growing progress is the tight restrictions on television advertising in many countries in Europe. In West Germany 40 minutes a day is available, in France it is 54 minutes. Austria has 20 and the Netherlands 30. This compares with up to six minutes an hour on both ITV and Channel 4 in the UK.

The restrictions have made Sky an attractive medium, particularly to American and Japanese companies which see Europe as a single market in a way that Europeans, despite the political rhetoric, still do not.

Mr Logie admits that Sky is likely to face growing competition for revenue in future from other satellite channels, the arrival of direct broadcasting by satellite (DBS) and the easing of the restrictions on advertising on terrestial television in Europe.

In France, for instance, there are plans for advertising supported regional television stations and if there is a change of government in the March elections two of the three main French terrestial channels could be privatised and financed by advertising.

But the Sky advertising director believes it would be ridiculously premature to try to forecast the future size of the pan-European advertising market now.

Music Box, the pop music channel for cable, which like Sky is beamed up to the satellite from London, is also aiming for a slice of that cake.

"We are the most cost effective television medium in Europe," argues Mr Mike Denholm, international sales controller for Music Box. The average 30 second slot will cost £160 in 1986 and Music Box's advertising clients include Mars, Sony, Nescafe, Braun and BMW.

Music Box, which is owned by Thorn EMI, Virgin and Yorkshire Television, hopes to break even sometime in 1987 or 1988. Sky and Music Box's strongest potential competitor could be a short taxi ride away through the West End of London—SuperChannel, the plan by the ITV companies, possibly with BBC support, to put together a "Best-of-Britain" cable channel for Europe.

The decision on whether or not to go ahead has to be taken within the next few months.

Mr John Fox, chairman of the marketing committee of the ITV companies and director of marketing at Television South, believes the case in favour of SuperChannel is now a substantial one but that speed is of the essence.

Struggle

Early this month the struggle for space on existing cable networks increased further with the launch of Europa, a satellite channel put together by five of Europe's public service broadcasters. Europa Television, which used to be called Olympus, is also looking for its slice of the advertising cake.

The next wave of pan-European competition is already well formed. Testing of the parts of the French direct broadcasting satellite TDF I is already under way and assembly will start next month in preparation for a launch scheduled for next July.

The programme service, four advertising supported channels which can be received over most of Western Europe is due to begin on January 1 1987. Mr Robert Maxwell, publisher of The Mirror, plans to take a 20 per cent stake in the TDF-1 operating company and would like to launch an English language service on the satellite.

In the UK the slow growth of cable television has meant that so far it is a scarcely discernible advertising market.

Yet as more eyes turn to the future of the new media and Europe the reality is that all the really big sums of money are still firmly based in terrestrial television and television advertising in Britain still means ITV and Channel 4.

ITV is having a strong autumn in revenue terms after the fright of almost a year ago when revenue growth first tailed off and dipped in a worrying way after Christmas. The February net revenue of £64.3m was 8 per cent down on the same month a year ago and in March the drop was 5 per cent.

In July and August, however, the growth over 1984 was 10 per cent and 12 per cent respectively, and Mr Fox believes the final net revenue for the year will be between £955-£960m. This would give growth at least in line with inflation.

Next year Mr Fox estimates that growth in ITV revenue could be in the region of 8 per cent. Such estimates are, however, becoming rather political in the run up to the Peacock inquiry which is looking at the feasibility of financing the BBC by advertising.

The Institute of Practitioners in Advertising (IPA), which represents about 260 advertising agencies, has called for a phased introduction of advertising on the BBC.

The IPA would like to see a limited amount of advertising introduced on BBC 2 in 1987 with a gradual spread to all BBC services over the next 10 years. This would merely absorb the natural growth of the television advertising market.

In this way, the IPA believes, ITV could have its present income plus inflation and the BBC would eventually have substantial sums of money to bolster the licence fee.

It is not an argument that finds favour with John Fox. "I don't believe there is a crock of gold waiting to be tapped," he argues.

If the BBC started to take a limited amount of advertising it could "open up the shutters three or four times a year and have all its airtime taken in a trice. The whole onus to create new sales would fall on ITV." Mr Fox says.

ITV argues strongly that advertising revenue is volatile and it is difficult to extrapolate with accuracy into the future. The arrival of Eddie Shah with short copy dates and full colour, for example, could pin down the apparently inexorable increase in television's share of total display advertising.

Television advertising fashions come and go—last year it was computers. The latest fast growing area, financial services, however, looks set to provide extra revenue for ITV for the foreseeable future.

Competition takes on a sharper edge

Press

SUE CAMERON

THE OUTLOOK for national, regional and local newspapers on the advertising front can only be described as "mixed."

On the one hand, total press advertising revenues last year were marginally up on 1983 in terms of market share—and for the first time in more than a decade the advertising income of regional papers remained steady in real terms. The newspaper industry can also congratulate itself on fighting a successful campaign against the imposition of Value Added Tax on press advertising—a move said to have been considered by the Chancellor before his Budget earlier this year.

But on the debit side, traditional newspapers in Fleet Street and the provinces are having to contend with a sharp increase in competition. The emergence of free newspapers in the regions and plans to launch national papers in London are already sapping ad revenues from the old-established publications. And the setting up by the Government of the Peacock Committee to consider whether or not the BBC should start taking advertising has sent an uncomfortable tremor through the newspaper world. The Newspaper Society, which represents the regional and local press, reckons its members would lose some £40m a year—in 1984 prices—were the BBC to carry advertising on all its broadcast channels.

The society estimated the losses to national papers at about £90m a year.

But in the regions it is the free newspapers—mostly weeklies—that are posing a much more immediate threat to long-established paid-for papers. Last year, for the first time, the total advertising revenue of free papers caught up with that of the paid-fors. This year the revenues of the frees are expected to open up a significant lead over the paid-for weeklies.

The reasons for this are not hard to find. Although there are still slightly more paid-for than free weekly titles, more than twice as many freesheets are delivered every week than paid-fors are sold. Advertisers like the penetration offered by the free newspapers and they are also attracted by the lower costs. Many frees are produced without the high overheads of a large journalistic staff and an in-house print works. This has enabled them to offer highly competitive rates.

Meanwhile, Birmingham's Daily News, launched as the country's first free daily paper, has just celebrated its first anniversary. It has not yet broken even but the proportion of advertising it carries has been steadily moving upwards. It confidently expects to move to break-even early next year and it has already started to expand with the launch of a Solihull edition this autumn.

While the speedy growth of free papers has hit hard at some traditional weeklies, it has also forced the managements of old-established publications to adopt a more keenly competitive approach—which may go some way to improving the overall health of the newspaper industry and its ad revenues in the longer term.

In Fleet Street, all eyes are fixed firmly on Eddie Shah, the newspaper entrepreneur whose News (UK) group is planning to launch a seven-days-a-week national daily in March. The new paper, still nameless, will be produced with computer technology and will offer ad rates for full colour at far lower prices than most of its middle-market Fleet Street competitors.

Mr Shah would certainly seem to have a healthy respect for his potential advertising customers. At the start of this month groups of senior advertising people were taken by river to London's docklands for a presentation on the new paper. The rumours among those aboard was that Mr Shah was taking no chances with his valuable guests — he is said to have insured each boatload for £10m.

More flexible approach needed for prosperity

Radio

ANTONY THORNCROFT

THIS HAS not proved the best of years for independent local radio, the commercial network of 48 stations. For the first time in its 12-year history advertising revenue is set to fall. In 1984 radio attracted a net advertising income of £71m (the gross figure was £86m). But even though there are signs of an improvement — revenue in July was, for the first time this year, higher than in the equivalent month of 1984 — it is unlikely that the stations will bring in £70m between them in 1985. It is perhaps significant that this year no new stations have come on air: the era of expansion is over.

With so many fixed costs to meet, such as copyright fees, IBA rentals, and buying from Independent Radio News a news service, the stations have been forced to cut costs in the only practicable area, payroll. The biggest stations have been the worst hit, and there have been job losses at Capital, BMRB in Birmingham, and Piccadilly in Manchester, among others.

Most of the blame for the falling away in advertising income is directed towards the television contractors. They, too, suffered a fall in advertising in the autumn of 1984, mainly because ITV programmes were attracting such good audiences that advertisers could reduce their expenditure and still reach their target audience. As a result the regional television companies cut their rates and competed actively for radio's customers, especially the local advertisers.

There are now indications that the pressure from television is easing off. The impact was never uniform: the big city stations seemed to suffer most (one of the most successful, Radio Clyde in Glasgow, has reported a 19 per cent revenue fall). The smaller stations, especially in the affluent south and west, which had built up many local advertising clients who would not consider television as an alternative, have survived reasonably well. In all Mr Brian West, director of the Association of Independent Radio Contractors, estimates that a quarter of the stations on the air are making a loss, a quarter are in profit, while a half are just about breaking even. But the bottom line fact remains that commercial radio has not repeated the financial triumph of commercial television, and few investors in the medium have yet to see a profit.

Faced with these pressures the IBA has been forced to relax some of its original controls on commercial radio. The aim was a series of very local stations, funded by local money and operating quite independently. But, faced with the collapse of some of the weaker stations, the IBA has approved a more flexible approach. Last month, for example, Red Rose, the Preston-based station which in three years has proved one of the successes of the network, took over the station at Cardiff which, in its turn, had just rescued the station at Gwent, serving Newport, which had been forced off the air. Red Rose had earlier assumed responsibility for troubled Radio Aire in Leeds, so now it has a controlling interest in four stations. The shareholders in Gwent, however, recovered very little of their £500,000 investment.

There are also doubts about the future of another Welsh station, Marcher, serving Wrexham. Such arrangements obviously spread management costs, and the IBA reckons that it is better to relax its principles than to have stations disappearing.

It also recognises that, in the current climate, there will be little enthusiasm to invest in some of the proposed stations so it is not discouraging existing stations from extending their influence over new neighbouring stations. For example, it permitted Radio Trent at Nottingham to take on the franchise for Derby rather than approve a new independent station there. Two successful stations, in Portsmouth and Bournemouth, are among the three contestants for the Southampton franchise.

Another area where the IBA has shifted ground is over the sponsorship of programmes. One of the revenue successes of the past year has been the networked hit parade show, which is taken by all but two of the ILR stations. It has quadrupled its audience, and it is sponsored by Nescafé, which paid £400,000 for the privilege in its first year and may well take on year two at £500,000. In theory sponsorship by brand name is against IBA guidelines but needs must when insolvency drives. A networked album show is on offer at £350,000 but sponsorship is unlikely to exceed 5 per cent of commercial radio's revenue.

If radio has yet to achieve the enthusiasm of the advertising agencies and the packaged goods companies which it expected, its general popularity is perhaps better than forecast. It has yet to develop a frequent acceptable audience research format but surveys by individual stations suggest that audiences have recovered from the 1983 slump. Commercial radio reaches 39m people, and it is brand leader, with Radio One, for the radio audience, with a 28 per cent share of listening hours.

It also has some keen advertisers. Radio advertising is now monitored by MEAL, which shows that one of the biggest advertising agencies, Saatchi and Saatchi, and one of the biggest advertisers, its client British Airways, are major users of the medium.

But if independent radio is having a bad year the immediate future is even bleaker. It faces a number of challenges — from community radio which, in the case of London, is being so broadly planned that it seems certain to be competing for some of the same advertising money; from the prospect of more, and more popular, broadcasting by the television companies (breakfast television has undoubtedly hit radio revenue); and from the Peacock Committee which might add another advertising rival — the BBC.

Radio is doing its best to make its case with advertisers, but its long-term prosperity might depend not only on a more flexible approach by the IBA, but also on Government changes in the Broadcasting Act, leading eventually to fewer companies operating many stations. It is believed that the Government would be prepared to change the Act if the alternative is a collapse of the commercial radio network.

CAMPAIGN: CASTLEMAINE XXXX

Where Australia scored a win

THE AUSTRALIAN cricketers touring England this summer may not have had much success on the field but they have certainly played their part in ensuring that Castlemaine XXXX beer has proved a winner. In return for a six figure fee they accepted sponsorship from this Brisbane-based brewery half the cost coming from the Australian parent and half from Allied Breweries, who now make Castlemaine XXXX in the UK under licence.

The promotional pay off has been tremendous: even Ian Botham was observed on the Wogan show on television handling a can of the lager. The sponsorship of the Australian cricket team was the bonus for the marketing of Castlemaine XXXX in the UK.

Allied had sold imported Castlemaine XXXX in cans for some time but the decision to launch it as a major brand followed on the achievements of Fosters lager, made and marketed in the UK by rivals Watney.

Allied was looking for another lager, the great seller on the beer market in recent years with a growth that has put it almost on a par with draught. It appointed Saatchi & Saatchi to find a brand which could be sold at a slight premium: in effect another Fosters.

The agency looked at a Canadian beer, and at the American Schlitz, but its research confirmed that, thanks to Fosters, the public now saw Australia as the equivalent of Germany or Scandinavia as the source of a decent lager. So Saatchi & Saatchi persuaded Allied Breweries to go with the minor brand it already held under licence.

Castlemaine XXXX was to be brewed in the UK for draught sales, while the cans continued to be imported. It received heavy promotion in the Midlands and Yorkshire in the summer of 1984 and reached London early this year. It has now gone national. To date sales have been 28 per cent above target.

The advertising, on television and on posters, with the slogan "Australians wouldn't give a XXXX for any other lager" has sold the brand. To a great extent Saatchi & Saatchi took the advertising approach of rival Fosters and made it that much more Australian.

In the Outback basics count

Fosters, using Australian comedian Paul Hogan, had adopted the sophisticated, amusing, approach of an Australian introducing an Aussie beer to conservative Britain. Castlemaine transported the potential British consumer to Australia, filming commercials in the scorching Outback and almost parodying Australian qualities of directness, masculinity and obsession with beer.

Where Fosters was subtle, Castlemaine XXXX was basic: no one *could* miss the point that Australian experts on beer would go to any lengths to get a XXXX. Also the vernacular use of the four XXXX's tied in with British conceptions of Australians' salty way of speaking.

Because of Castlemaine XXXX Allied is now selling more lager, and a lager with a higher profit margin.

The campaign has been expensive. Saatchi & Saatchi recommended that the advertising should be at the same weight as the heaviest spending competitor and now it is national the budget will exceed £4m a year. But research places Castlemaine XXXX ahead of any other advertised beer in recall, at least in outdoor advertising.

Allied Breweries is the subject of an unwelcome takeover bid by the Australian company Elders. Elders owns Fosters. If it was successful it would prefer to sell its own brand, with its greater profit margin, than sell Castlemaine XXXX under licence.

Saatchi & Saatchi, which has already gained the Long Life account from Allied after its success with XXXX, will be fervently hoping that this is one bid that falters.

Antony Thorncroft

Into the era of boutiques

Financial marketing

CHRISTOPHER HILL

THERE WAS a time when any suggestion that financial products could be actively marketed was greeted with scepticism, suspicion and even contempt among financial institutions. Marketing was identified with baked bean and soap powder advertising campaigns as somehow demeaning and inappropriate to a product as ultimately important as money.

It would be premature to suggest that this attitude does not linger on in financial circles, but even a casual glance at the job ads in the Financial Times shows how times have changed. In any week there are many vacancies in financial marketing men in virtually all sectors including banks, building societies, insurance companies, unit trusts, investment trusts and the myriad of organisations who fit into what might be classed as the "financial advice" business.

The whole business of financial marketing has also been given a boost by the fact that nowadays everyone is trying to get into everyone else's business. Banks are competing with building societies; insurance companies are spreading their tentacles into just about everything; and investment management outfits like unit trusts are continuously extending the range and scope of their products and activities in the UK and overseas.

The day of the anonymous, identikit financial product has gone. In order to survive amid the fierce competition in the financial sector, any financial company has to establish its corporate identity and to identify and brand its products as effectively as possible. This is a fundamental requirement for success which encompasses both the retail and the wholesale financial sectors.

Taking the retail sector first, two of the principal players are the clearing banks and the building societies, both of which are also under pressure from National Savings and the Girobank, as well as competing among themselves.

Only a few years ago there was apparently nothing to choose between one clearing bank and another, or one major building society and another. They looked roughly the same and their products were broadly identical. To an extent this still applies but much greater effort has been put into corporate identity (for example, "the Listening Bank" and "I'm with the Woolwich"), identifying products (the C. and G. Gold card and the Leicester-card are just two examples).

The break up of interest rate and commission cartels has also had a great influence on the marketing of financial products. In this respect the life assurance industry has become a much more active field over the past decade with a strong emphasis on introducing new products, improving customer service and conducting market research to find out what the customer or his advisor actually wants.

The main result has been a string of new products designed to meet the needs of customers, ranging from unit-linked assurance to protection. Gone are the days when they had names like "with-profit endowment policy." Nowadays it is likely to be a variation of "the dynamic growth plan."

The catalyst of change in the retail sector has been the unit trust groups which were the pacemakers in financial marketing with a clear incentive to establish individual group identity and to brand their products.

But they have now been joined by a host of others, including the stockbrokers who are active marketeers in the private client field. Quilter Goodison's financial boutique at Debenhams is the most obvious recent example.

Marketing in the wholesale sector is becoming equally active though in a more subdued vein. The prize example is in the winning of pension fund accounts. Trawling the old boy net no longer works.

With increasing competition for very lucrative business and growing "customer awareness," institutions which want pension fund, local authority or U.S. business have to assess their strengths, establish a credible identity and equip themselves to take part in financial "beauty contests."

Where does this leave the advertising and PR industry? First of all it means, as Stuart Alexander of CDPW Public Relations put it, that they have to employ people who have a genuine understanding of the financial sector. This used to be confined to a narrow group of City agencies but has spread to the West End.

Secondly it means that they have to be prepared to offer a great many more skills than just designing financial ads — including effective market research, product design, design and production of corporate literature, a knowledge of the new electronic media, the capacity to produce audios and videos; media and presentation training capabilities, and investor relations skills, to name just a few.

These skills are seldom found in their entirety in one organisation, all of which points the way to the future development of companies which have specialist skills in one or more of these areas.

Christopher Hill is the publisher of Financial Marketing News.

Computers help pinpoint targets

Direct marketing

DAVID CHURCHILL

ONCE CONSIDERED the cinderella of the advertising world direct marketing is rapidly growing up. Its popularity as a marketing tool is increasingly significant as companies from all sectors begin to appreciate the effectiveness of narrowing the targeting of messages to indivduals—either business users or consumers.

Direct mail, the major part of direct marketing, is the third largest advertising medium after television and Press with expenditure last year reaching £324m in comparison with £299m in 1983. Although this still only shows direct mail expenditure at less than the level in 1982—when the sector accounted for £341m—it reflects the heavy dependence of the figures on the traditional catalogue mail order business.

When mail order companies have a bad year—as they did in 1982—so the whole sector's figures look worse than the underlying trends indicate.

Why is direct marketing gaining in popularity? Several reasons are suggested by marketeers, with perhaps the penetration into new sectors being one of the most important.

The finance sector in particular has woken up to the potential of direct marketing. Insurance companies, credit cards, and unit trust funds are becoming more sophisticated in mailing to prospective buyers of financial services. Even the Prudential has taken the direct route offering marketing incentives with their mailed bonus notices.

The clearing banks and building societies, however, are still relatively unwilling to use direct marketing techniques. Their extensive data base on customers' financial habits gives them a major opportunity to offer extra services to their customers—yet few banks have so far seized this opportunity.

Experiment

Another direct marketing growth area has been among retailers who are exploiting their move into the financial services sector by selling other goods and services to their customers. Many major retailers are using direct marketing techniques such as mini-catalogues to reach those shoppers who do not normally visit their stores.

Marks and Spencer, moreover, is experimenting with just such a catalogue of its homewear ranges for customers who cannot get to a large store where these goods are stocked.

The House of Fraser department store group has also started an aggressive campaign to market goods and financial services by telephone.

The scheme is based on that used in the U.S. by Sears Roebuck. Initially, the Fraser campaign will concentrate on selling its charge card facilities to prospective customers. But its telephone marketing will also be used to support its advertising of special product offers throughout its stores.

Leisure and recreational activities are another growing market for direct mail. The Butlin holiday camps, for example, have used this approach to stimulate business.

Apart from new users of financial services, the sector's growth has been fuelled by the wider accessibility of computer power available to marketing departments. Storing and using data is now made much easier by the advent of low-cost computer equipment.

In addition, demand for direct mail has been stimulated by the Post Office and other direct mail companies who fund the Direct Mail Sales Bureau. This not only promotes direct mail as an advertising medium but also offers a service for companies by handling direct mail campaigns.

The Post Office has been a major beneficiary of the growth in direct marketing, earning more than £200m in extra postal revenue according to trade estimates. The number of direct mail shots has more than doubled over the past decade, with a big switch towards consumer mailings away from business-to-business mailshots.

Wooing customers

Over 70 per cent of mailings now go to consumers—although this represents less than 1 per cent of direct mail shots being sent to householders each week.

The Post Office is especially keen to woo new customers and has a number of special schemes available to encourage companies to use the post as a marketing medium.

The increasing popularity of direct mail has spawned a number of associated businesses, such as new technology like laser printers, residential/lifestyle classification systems, and the broking of lists.

List broking, in fact, has been growing rapidly and is estimated to be worth at least £13m on its own. List broking is where the owner of a list of potential customers can sell those names to a buyer looking for that target group without losing the confidentiality of the list.

The broker advises, searches and negotiates for a list and handles the administration, in return taking a percentage of the list price.

The growth of direct marketing is not wthout its problems. Many British companies, it is argued, are still relatively unaware of the complexities of the business.

"Direct mail suffers from the fact that it can be practised by almost anyone, apparently without any form of training or experience," argues Mr Christian Brann, one of the leading experts on direct marketing. "The need for expert writing, design, and production in direct mail is not as obvious as it is in display selling or in the production of television commercials."

As a result, he adds, "direct marketing standards are often poor and the industry's reputation suffers."

Another problem for direct mail in particular has been an adverse reaction by some consumers to receiving more of what they see as "junk mail." The major industry trade associations, together with the Post Office, have sought to miniimse these objections by setting up the mailing preference scheme. Consumers who find unsolicited mail an intrusion can opt-out of receiving unwanted mail shots.

The Direct Mail Services Standards Board was also set a couple of years ago to help improve standards within the industry generally. Direct mail agencies have to qualify for recognition by the board and in return are entitled to a rebate on some of their postal costs.

Such schemes have generally worked well in helping to establish a firmer foundation for what will undoubtedly continue to be a growth sector in marketing for the rest of the decade.

Return of the youthful spenders

Cinema

ANTONY THORNCROFT

CINEMA ADVERTISING, for so many years the forgotten force among the advertising media, is staging a comeback. In revenue terms it is still tiny: it attracts around £18m a year —but it does have a significant role to play in reaching the free spending young, which is its main audience, and there are signs that advertisers, and agencies, are taking it more seriously.

This is because cinema attendances are at long last on the increase. After the halcyon days of the late 1940s, when 450m Britons a year packed the cinemas, there was a remorseless decline, which reached a low of 54m admissions last year. The industry decided on one last desperate effort and launched British Film Year: attendances in 1985 should top 70m.

This owes more to a succession of popular films from the U.S. rather than any great regeneration among British filmmakers, but it is the shot in the arm that the industry needed. Indeed the success of Rambo, which netted £3m at the box office in ten days and rivals ET as the biggest British revenue earner ever, could push the 1985 attendances even higher. No one expects a great revival but at least a modest improvement is on the cards.

The cinema advertising medium is doing its best to exploit the bigger audience. The industry is a duopoly, with Pearl & Dean taking over 60 per cent of the advertising expenditure and Rank Advertising most of the rest.

Their greatest selling point is that 60 per cent of the cinema audience is aged between 15 and 24 and 77 per cent is under 35. It therefore appeals to the parts of the community that other media, in particular television in the 15-24 age group, finds it hard to reach.

In the past, cinema has had an image problem: its major advertisers have been the cigarette and drink companies, mainly because cigarettes are banned from television, as are spirits. The cinemas advertising industry was careful to ensure that commercials from these two sources were only shown to adult audiences, but they did dominate the agency view of the medium.

This is now changing. Self-regulation on advertising expenditure by the tobacco companies has reduced their influence (although Gallaher is about to launch an almost unheard of three minute commercial for Silk Cut), and both Pearl & Dean and Rank Advertising have been successful in attracting new types of advertiser to the cinema.

Apart from offering a youthful audience, the cinema can also provide sophisticated scheduling: it can show commercials with selected films in carefully chosen cinemas in the desired parts of the country for any length of time the advertiser wishes. It is proving a very flexible medium.

As a result it is attracting a new type of advertiser. One of this year's major spenders is Weetabix, which can place its commercials alongside family films during school holidays to maximise its target audience. Other packaged goods companies buying into the medium include Wrights Coal Tar soap; Palitoy, the toy company, and Nestlès Dairy Crunch.

The main advertisers are still those anxious to reach young people, such as Levi jeans, Barclays Bank, drink companies like Pernod, Guinness and Martini, and cosmetic companies like Max Factor and Silvikrin, but some interesting new names include the record companies, the television companies, such as London Weekend (which has booked a second campaign after a trial run), London Transport, British Telecom, Reed Employment, and even the film production companies, who are buying advertising time rather than relying on trailers.

Many advertisers are using their TV commercials as cinema commercials but some, such as Levi, are prepared to spend £250,000 on a lavish specialised cinema commercial even though the cost of buying the campaign is probably not much greater.

Few cinema advertising campaigns top £500,000 and most cost much less. The industry has transformed the method of selling its time in the past two years (mainly because of the fall in audiences) and now a majority of campaigns are bought on an Audience Delivery Plan whereby the advertiser decides how many people, usually between 1m and 8m, it wishes to see its commercial, and Pearl and Dean and Rank guarantee to transmit it until that target is achieved.

Alternatively advertisers can buy from a rate card, selecting certain films which they believe will attract the type of audience that buys their products, and can book campaigns in any part of the country they wish for any length of time that suits them. Discounts are available here, depending on the size of the advertising budget.

The advertising contractors alert agencies to the forthcoming films but both can be taken by surprise: there was no great desire on the part of advertisers to book spots in the Rambo programme.

The prospects for cinema advertising are linked to the future of the industry as a whole but there are hopeful signs. The British film industry seems in better heart than for some time past and the exhibitors are spending large sums in transforming cinemas. The number of screens has fallen, from over 1,500 in 1981 to nearer 1,100, but new multi-screen complexes are opening, including a ten screen site in Milton Keynes, and although there may be a continued decline in the number of cinemas there should be stability in the number of screens.

Cinema going should become a much pleasanter experience with the new centres offering a restaurant, bars, perhaps shopping, and certainly better seating facilities, as well as the choice of screens.

The exhibitors have obviously been given a shock by the fall in audiences. They are coming to terms with new trading conditions by being more flexible in their pricing as well as the length of time a film is shown at a cinema. In areas of high unemployment EMI has introduced a £1 admission policy on certain days. This has boosted audiences by over 100 per cent and is being extended.

Everything depends on the quality of films but all the evidence suggests that people, especially young people, enjoy going to the cinema. As an advertising medium the bias towards youth is probably an advantage. Slowly Pearl & Dean and Rank Advertising are adapting their sales policy to meet the demands of clients who have a wide choice of media but not one which can guarantee such impact, such flexibility, and such an interesting audience.

CAMPAIGN: LISTERINE

A dragon to the rescue

LISTERINE IS a product over 100 years old which might finally be about to arrive. That, at least, is the view of makers Warner Lambert and advertising agency J. Walter Thompson, who have just launched the first national television campaign for the brand.

Oral hygiene has never bothered Britons. In the U.S. it is a $100m plus business and Listerine (named after Lord Lister, the pioneer of antiseptic medicine) is the brand leader. In the UK annual sales are less than £5m but JWT is estimating a rise to £6.5m by next year, because of advertising.

Its optimism is based on two test markets earlier this year in Granada and the London TV areas. For years Listerine had received very little advertising support. The company had introduced a sister product Listermint, with a pleasanter, less medicinal taste, but this was soon copied by "own label" me-too lines. It is hoped that the more astringent Listerine will have few imitators.

Its problem was to overcome public reluctance to buy a brand which basically aims to eliminate bad breath: no one liked to make a purchase which suggested that they had the problems. The advertising attempts to soften the sales proposition, making the case that any normal person who enjoys a drink, or a smoke, or a curry might, on occasions, suffer some slight personal hygiene problem the next day.

To make a joke of the whole thing JWT has invented an amiable dragon called Clifford who, by rinsing with Listerine, wins over the reluctant maiden. The cartoon was the work of Richard Williams, the animation company, and has the voice over of Willie Rushton.

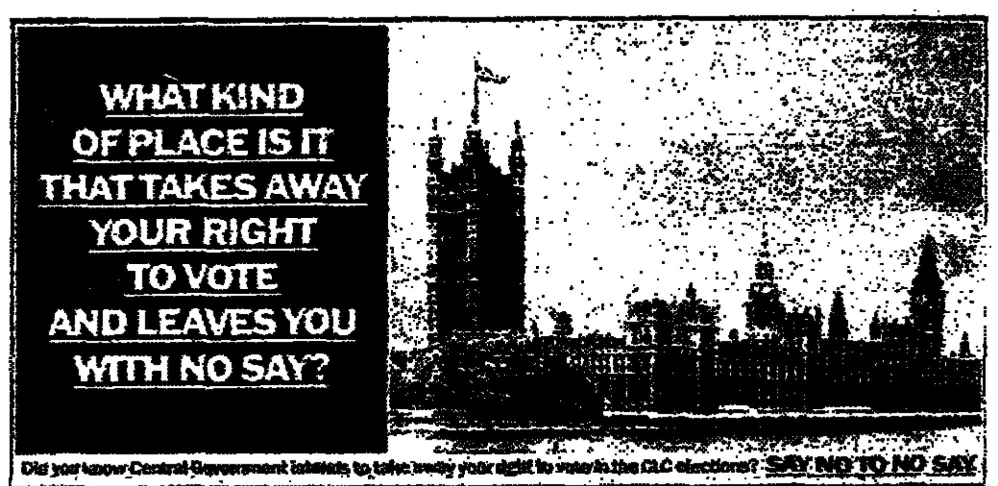
Listerine had never been promoted in Granada and, after the advertising on Channel 4, sales rose by 86 per cent. In London, where the brand was more familiar through tube cards, sales are 44 per cent higher. Hence the national roll out, which is backed by a £1m budget. The aim is sales of £3m a year.

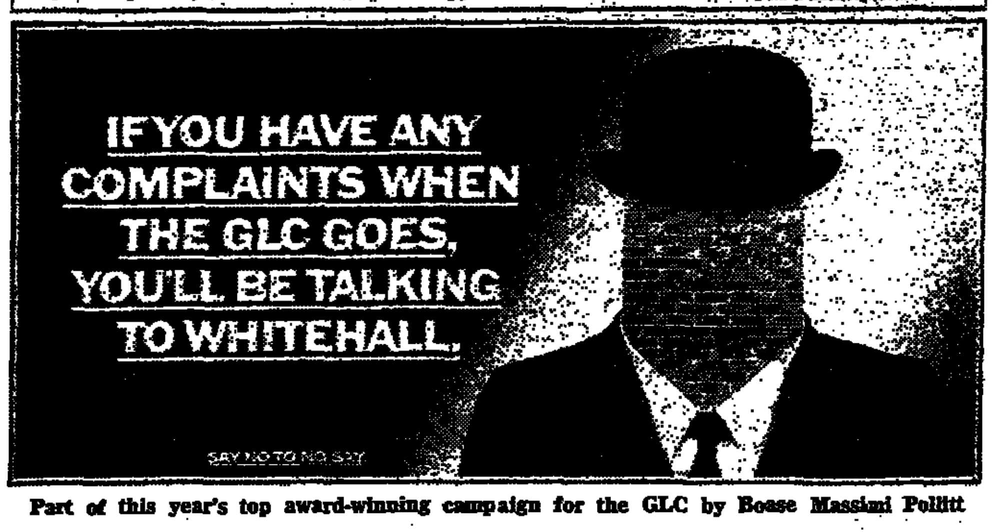
Channel 4 has been chosen since JWT sees Listerine as a rather up market product because of its taste. It also wants to spread its cash over a long period to ensure repeat purchasing and regular usage. What was a gamble with a very small brand is turning into a profitable slice of extra business.

Client and agency have done all the right things. They tested the commercial rule and got the best response ever from a qualitative ad trial. They tried out the advertising in two contrasting regions. They have used the advertising to get better distribution in the grocery trade. They have even persuaded the television advertising controls board to accept the claims for the product.

But most of all they have, by using a dragon, managed to humanise bad breath, and make it seem like a common misadventure rather than a social disease. JWT expects to win prizes with its commercial. It also hopes to prove to clients that advertising can help small brands.

A.T.





Part of this year's top award-winning campaign for the GLC by Boase Massimi Pollitt

Confidence in OSCAR

AFTER YEARS of decline the outdoor advertising industry is confident that it is on the threshold of a revival. Its proportion of the total national advertising expenditure declined to 2.5 per cent in 1984, as against 3 per cent in 1980, or £103m, in revenue terms. It has received a series of blows, with the Monopolies Commission killing off its main sales arm, British Posters, and some moribund major companies falling victims to take-over bids. But now there is hope of a period of expansion.

The great expectations are built around OSCAR, which was launched last month. OSCAR has cost the industry £1m, a high percentage of its profits, and is basically a research assignment which aims to make buying outdoor advertising as easy for an agency as the purchase of television or the Press.

OSCAR gives information on the pedestrian and vehicle traffic of the 80,000 poster sites in the country, with a reassuring cost per thousand for advertisers. The data is on a computer, so at the press of a button agencies can buy the sites which they consider the most effective for their products —if they are available.

The industry has finally got its research act together at a time when advertisers, and their agencies, are aware once again of the selling impact of posters and, of equal importance, their selectivity.

New management is also enlivening outdoor advertising. London and Provincial has been reborn, after acquisition, as London and Continental, and More O'Ferrall, which dominates the supersites, has added an international dimension. It also acts as agent for British Airports, with their 50m visitors a year, three-quarters of whom are ABC1s. Mills and Allen remains as the biggest company in the field. Undoubtedly the fresh blood in the outdoor sector has contributed to the renewed vitality in this sector.

But if the poster industry has faced problems, considerable growth and excitement has been generated by the more mobile, and specialist, forms of outdoor advertising. Taxi Media, for example, which handles over 90 per cent of the advertising on the outside of taxis, reports an excellent year, with turnover in excess of £1.5m and such blue chip names as National-Westminster Bank buying space.

The sides of lorries are now being exploited, with Freight Media numbering Smirnoff Vodka and the Eggs Authority among its regular advertisers.

Outdoors

ANTONY THORNCROFT

The Taylor Harrison Group has developed the potential in parking meters, telephone kiosks and car parks, while motorists at the busy Toddington service station on the M1 —5m of these a year, with passengers—have provided the first viewers for electronic blackboards, microprocessor controlled display systems, which have already been used by Austin Rover to project a mobile sales message.

Bus side advertising is another traditional medium that is enjoying a new lease of life. The merger of W. H. Smith Advertising and Kemps Specialist Media a year ago has produced in Primesight, a large outdoor company with specific interests. With 12,000 buses in the largest cities outside London it is the largest bus contractor in Europe and it also has a presence at 200 major international airports, including Moscow and Peking.

It has the advertising rights to Earls Court, Olympia and the National Exhibition Centre in Birmingham and to 250 livestock markets throughout the UK.

Primesight's aim for market leadership in specialist sectors will receive a determined challenge from the revitalised London Transport Advertising which has increased its turnover from £9m in 1981 to £14m last year.

Transport advertising was the fastest growing medium in the UK in 1984, with a 17.5 per cent revenue rise; and LTA expanded even faster, mainly by concentrated marketing through a sales force.

Among its satisfied clients is Sharp, the electronics company, which this year has bought, for £98,050 a month, 1,850 of the 8,400 bus sides available in London, the biggest bus side campaign ever. Another advertiser which thinks transport offers the ideal vehicle for reaching the public is Brook Street, the recruitment company, which has bought 24,000 of the available 110,000 tube cards in underground trains.

To improve the demand for escalator sites LTA is now selling them in groups: Pizza Hut has devised an effective advertising message for the 10 top escalator sites, leading the hungry traveller to its nearest restaurant. (It is not so effective if the escalator has to be switched, in rush hours, from up-going to down-going.)

LTA is flourishing because it is making things easier for advertising agencies through providing considerable audience research data, case histories, sales packages, and a comprehensive rate card. Along with OSCAR it shows what can be done to revitalise outdoor advertising.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday October 16 1985

U.S. banks show strong gains in third quarter

BY PAUL TAYLOR IN NEW YORK

CITICORP, the world's largest banking group, yesterday reported a 14 per cent increase in third-quarter net earnings to $227m. Separately, two other major U.S. banking groups reported higher third-quarter results. J. P. Morgan posted a 73.9 per cent gain, and Security Pacific recorded a 12.3 per cent earnings improvement.

Citicorp's earnings, equivalent to $1.60 a share on a fully diluted basis, compared with $200m, or $1.42 a share, in the corresponding period a year earlier and lifted nine-month net earnings to $755m, or $5.43 a share, from $629m, or $4.46.

The New York-based group said earnings in both the latest quarter and nine-month period benefited from "higher-yielding funds-based activities, volume growth as well as from strong trading and foreign exchange gains." A change in local tax laws reduced income tax expense by $18.7m in the latest three months. Offsetting these gains, loan-loss provisions were higher in both periods.

Each of Citicorp's three core business groups, which have recently been reorganised, achieved earnings gains on a pre-reorganisation basis. The institutional banking business earned $175m in the third quarter, up $5m from a year earlier. The individual banking business increased earnings $18m to $71m, and the investment banking business earned $29m, up $2m.

Overall, Citicorp said net interest revenues increased by 28 per cent to $1.37bn in the quarter while total revenues grew by 31 per cent to $2.1bn. The group's provision for possible commercial loan losses jumped to $148m in the latest quarter from $81m a year earlier, partly reflecting higher net loan write-offs which increased to $83m from $44m a year earlier.

The group's commercial loan-loss reserve increased to $713m or 1.18 per cent of commercial loans from $564m or 0.98 per cent a year ago, while the reserve for possible consumer loan losses grew from $297m to $427m at the end of September, resulting in a combined loan-loss reserve at the end of the qaurter of $1.14bn. At the end of September non-performing loans totalled $2.5bn or 2.2 per cent of total loans, compared with $2.4bn or 2.3 per cent at the end of June and $2.5bn or 2.6 per cent a year earlier.

J. P. Morgan, the fifth largest U.S. banking group, yesterday reported a 73.9 per cent increase in third-quarter net earnings to $209.4m from $120.4m a year ago. Meanwhile Security Pacific, the seventh largest group, posted a 12.3 per cent increase in quarterly net earnings to $84m from $74.8m.

The earnings jump at J. P. Morgan reflected local tax changes, which lifted net earnings by $39.4m, together with higher net interest earnings and non-interest operating income, mainly trading results. These more than offset higher non-interest operating expenses and a substantial increase in the provision for loan losses.

Like other large New York banking groups J. P. Morgan noted that changes in New York state and city tax laws related to investments in leveraged leases resulted in lower income tax expense and a non-recurring gain in the third quarter. At J. P. Morgan this change added almost $40m to third-quarter net income.

J. P. Morgan said net interest earnings increased by 31.6 per cent in the third quarter to $485m from $368.9m in the year-ago quarter. The interest earnings were spurred by higher interest-earning assets and higher net yield. Non-interest operating income increased to $241.2m from $157.3m bolstered by substantially higher trading results, including a $59.1m gain on foreign exchange trading.

Security Pacific, the fast-growing West Coast banking group, said its third-quarter earnings, equivalent to $1.14 a share compared with $1.02 in the year-ago period, reflected higher net interest income. This grew by 11 per cent to $422.3m, primarily as a result of a 15 per cent increase in earning assets. For the first nine months the group reported a 12 per cent increase in net earnings to $236.7m, or $3.22 a share, from $211.3m, or $2.87, in the year-ago period.

The Los Angeles-based group also noted that comparisons with the year-ago period should take into account two special items in the 1984 period, a pre-tax gain of $115m on the sale of the bank's headquarters building and a $150m special provision for credit losses.

PepsiCo boosts sales and earnings

By Our New York Staff

PEPSICO, the U.S. soft drinks and fast foods group, yesterday reported a 21 per cent rise in third-quarter income from continuing operations to $135m and fired another broadside in its battle to unseat Coca-Cola from the top of the fiercely competitive U.S. soft drinks industry.

The group said sales of its Pepsi-Cola brands grew more than four times as fast as the U.S. soft drink industry in the quarter, achieving their highest-ever market share. Total bottle case sales for the quarter were 11 per cent up on a year ago, and this compares with total U.S. soft drink industry sales growth of about 2 per cent, according to Wall Street analysts.

Soft drink bottle and can case sales in July and August were up by nearly 15 per cent. This was the period when Coca-Cola decided to bring back its traditional formula which it had dropped in April in an attempt to break Pepsi-Cola's increasing market share.

Coca-Cola's U.S. soft drink sales are estimated by Wall Street analysts to have risen by a mere 1 per cent in the latest three months while Pepsi-Cola's market share has risen to 31.6 per cent. Coca-Cola held an estimated 39.2 per cent of the market in 1984.

PepsiCo says its "exceptional performance" was the result of the accelerated momentum of Pepsi, the "continued extraordinary growth of Diet Pepsi" and strong consumer acceptance of Slice, the new lemon-lime soft drink.

It appears that PepsiCo's U.S. marketing gains against Coca-Cola have yet to show through to the bottom line. Its domestic soft drink earnings were down on the third quarter of 1984. Overseas soft drink earnings by contrast were "well above" last year as bottle case sales rose by 3 per cent. This enabled PepsiCo to report a 2 per cent growth in total soft drink earnings which normally account for around a third of the group's total earnings.

Pepsico's snack food operations, which are considerably more profitable than its soft drink activities, boosted its earnings by 12 per cent on a 4 per cent sales growth.

INTRODUCTION OF NETWORK SYSTEM ANGERS RIVALS AND CUSTOMERS

How IBM sets the standard

BY ALAN CANE IN LONDON

IBM infuriated its customers and its competitors alike by announcing a year ago a cabling system which it indicated should be installed in offices ready for the launch of its "local area network" (lan). This is the technology it believed best for the interconnection of the elements of the electronic office – personal computers, printers and electronic filing systems.

Customers were angry because they were anxious to make the best use of their investment in office automation; competitors believed IBM was introducing fresh uncertainty into the market and so damaging their sales prospects.

Their anger was compounded by fears that IBM's lan, when it appeared, would become the industry standard, whether it was the best technology or not. As a consultant said yesterday: "IBM has an amazing ability to foist technology on its customers – good technology and bad technology."

Yesterday their fears were realised. IBM, in conjunction with Texas Instruments, one of the largest semiconductor houses in the U.S., announced its lan technology in the form of a "token passing ring," a technique where data are permitted to pass around a ring cable from sending station to recipient only if they bear an electronic "token," analogous to the token passed between engine drivers on single track railways.

The IBM announcement, which applies so far only to its Personal Computer family, brings some order to a chaotic market. The best known lan, Ethernet, has been developed by Xerox working in collaboration with the semiconductor house Intel (in which IBM has a minority stake) and the minicomputer manufacturer Digital Equipment.

Its lan operates at very high speeds, but its efficiency deteriorates with the volume of traffic it carries. There is a need for lans because conventional communications between computers and their terminals or printers are fast but complicated and expensive.

Of the 20m or so personal computers in use in the UK and continental Europe, fewer than 4 per cent are connected to any other personal computer.

Most industry analysts believe personal computer users get the best out of their machines only if they are connected together in networks. They consider that the difficulty and expense of interconnection has been at least partly responsible for the stagnant state of the U.S. personal computer market. Sales in the UK and continental Europe are still buoyant, but this market traditionally lags two years behind the U.S.

Lans were therefore devised to provide fast, safe and economic data communications.

The cabling system IBM announced last year is little thicker than telephone cable. Computers and printers are plugged into wall sockets for communications in the same way that they are plugged in for electricity.

Cost of wiring up computers using any of the lans commercially available today is about $600–$1,000 a station; the IBM lan is expected to cost about $829 a station for a typical eight-station configuration.

Nordstjernan breaks even

BY KEVIN DONE IN STOCKHOLM

NORDSTJERNAN, the Swedish special steel, shipping, engineering and retailing concern within the privately owned Axel Johnson group, managed to break even in the first eight months of the year after running up heavy losses in 1984.

Profits after financial items totalled SKr 29m ($3.6m) compared with losses of SKr 142m in the corresponding period last year.

The Nordstjernan workforce has been reduced by 1,491 to 22,468 since the beginning of the year as a result both of redundancies and disposals, and the group has already warned that a further 785 jobs are to be cut.

Mr Bernt Magnusson, who was brought in as managing director from Swedish Match in February, said yesterday that the group was fighting major structural problems and poor profitability.

A strategic plan has been drawn up for restructuring the sprawling conglomerate and concentrating its activities in seven divisions, each operating as a separate profit centre.

A number of operations has already been sold including Datema, Bergen Underwater Services, the forest and agriculture assets of Avesta, the special steel subsidiary, Surveying Services Offshore, Elektromatik power generation and wood processing and fruit-growing activities.

Nordstjernan managed to break even only as a result of unrealised foreign exchange gains of SKr 77m. The group had extraordinary losses of SKr 24m with the costs of restructuring outweighing the gains made from the sale of assets.

Group turnover virtually stagnated at SKr 11.6bn, an increase of 5 per cent compared with the first eight months of 1984.

Thomson on target for recovery

By Paul Betts in Paris

THOMSON, the French nationalised electronics group, will return to the black this year after accumulating losses of FFr 3.8bn ($469m) in the past three years.

Thomson's recovery reflects improvement in the group's medical equipment and electronics components operations. At the same time Thomson, which is in the running for a $4bn U.S. defence contract, has seen its defence orders continue to rise.

The group plans to scale down its investments in the computer memory sector although it intends to continue investing heavily in the electronics components business. The company started a major investment drive in electronic components in 1983 and regards this as a key to its long-term development.

Thomson has set itself the target of bringing its electronics components business into the black by 1987 or 1988. The division has been losing about FFr 200m a year. Its financial performance improved this year

Wärtsilä expects earnings plunge

BY OLLI VIRTANEN IN HELSINKI

WÄRTSILÄ, the Finnish shipbuilding group, expects its net earnings for this year to drop by 45 per cent to FM 400m ($70m) while turnover will be some 10 per cent lower than last year at FM 5.5bn.

The group's interim report for January to August shows net profits up 33 per cent to FM 470m from the first eight months of last year although this is due entirely to nine ship deliveries in the beginning of this year.

Wärtsilä yards have received orders worth FM 1.2bn during this year, and the order book now stands at FM 5bn. This will provide work for 18 months, but as FM 2bn of the orders are due for delivery only in 1988-89, the yards will have to lay off workers in the near future, according to Mr Tor Stolpe, president.

The share of shipbuilding has come down gradually and is now about half of the total group turnover.

Sharp rise in Western Areas' profit

By Kenneth Marston in London

HIGHER earnings at the marginal gold and uranium-producing Western Areas mine in the Johannesburg Consolidated Investments group provide the highlight of the quarterly results for September announced by the South African gold industry.

Western Areas' net profits for the quarter advanced to R12.86m ($4.89m) from R4.99m in the previous three months despite a tax charge on the latest occasion, compared with a credit previously. The result reflects a higher gold price, increased gold production and lower costs per tonne of ore milled.

Randfontein has also raised gold output and held costs in check, but higher profits at pre-tax level and reduced capital spending have attracted increased tax so that net profits come out lower than those of the June quarter.

Increased tax charges have also resulted in reduced net profits at the Anglovaal group's Hartebeesfontein and Eastern Transvaal Consolidated mines. Thanks to the higher gold price, Loraine has modestly increased its quarterly net profit to bring the total for the year to September 30, before capital expenditure and loan repayments, to R50.23m against R12.22m.

Loraine has not yet entered the tax net because of its assessed loss for taxation purposes, which has been reduced to R5m. The tax-offsetting capital expenditure for the current year is estimated at R18m compared with an actual R3.67m in 1984-85.

The antimony and gold-producing Consolidated Murchison has had a poor quarter. Although gold revenue rose sharply, mainly because of a delayed gold delivery from the previous quarter, sales and prices of antimony weakened. This reflected reduced demand in the U.S. and Europe coupled with continued sales from China.

National makes rescue offer for Mercantile

BY BERNARD SIMON IN TORONTO

NATIONAL Bank of Canada has made an offer to take over Mercantile Bank, the troubled Montreal-based group in which Citibank of New York has a 24.2 per cent interest.

National, Canada's sixth largest bank, said yesterday that Mercantile's agent, understood to be Salomon Brothers, the New York securities firm, had invited it to make a bid for a merger between the two groups.

A decision on National's offer is expected today. According to local reports, other banks (including Citibank) have also shown an interest in taking Mercantile under their wing.

National's Quebec roots are likely to make it a favoured candidate in political circles.

Mercantile's liquidity has been maintained for the past two weeks by funding from Canada's six largest banks. The bank, which derives 85 per cent of its deposits from the money market, was a victim of nervousness set off by the collapse last month of two small banks in Alberta.

National Bank, with assets of C$21.5bn (U.S.$15.7bn), has overcome severe financial and operating problems in the early 1980s to join the major league of Canadian banks. Income totalled C$115m in the nine months to July 31.

An amalgamation with Mercantile would boost National's assets by about 20 per cent and broaden its operations outside its home province.

Background, Page 24

Mediobanca steps up payout as profit soars

MILAN – Mediobanca, the leading Italian merchant bank, reported that net profit after taxes rose 50.7 per cent in its financial year ended June 30 to L129.7bn ($72m) from L86.05bn the previous year.

The bank, which is controlled by three of Italy's big state-controlled commercial banks, intends to pay a dividend of L1,700 a common share, up from L1,500 at last year's payout.

Pre-tax profit for the year ended in June rose 62 per cent to L184.7bn from L114.02bn. Revenue from outstanding loans rose 2.2 per cent in the latest year from a year earlier, to L904.3bn from L884.8bn.

Revenue from investments totalled L378.7bn in the year ended June, up 17.5 per cent from L322.3bn the previous year.

Mediobanca allotted L59.3bn to reserve funds for the year ended June, compared with L61.9bn the previous year.

During the year the bank sharply reduced its stake in Montedison, Italy's leading chemicals group, and cut its stake in Gemina, a holding company which represents the most powerful single group of shareholders in Montedison.

● Saipem, a subsidiary of ENI, the state energy group, plans to list its shares on the forward market of the Paris bourse later this month.

The listing, managed by Crédit Commercial de France (CCF), Banque de Gestion Privée and Banque Indosuez, will not involve the issue of new shares and will not change the company's capital base. Trading is expected to begin on October 23.

AP-DJ

Time slips in third quarter

By Our Financial Staff

TIME INC., the U.S. publishing and cable television group, has suffered its first quarterly decline in profits since the end of 1983. Net earnings fell from $46m, or 72 cents, a year ago to $44.1m, or 70 cents, in the third quarter of 1985.

The downturn reflects reduced profits in the magazine business and lower interest income. Pre-tax income from the magazine group fell from $29.4m a year ago to $24m, due principally to lower advertising volume. The company also incurred launch costs for Southern Living Classics and the test introduction of Picture Week.

In contrast pre-tax income in the books and information services group jumped from $20.1m to $29.7m, with all units increasing sales and profits. The cable TV subsidiaries, American Television and Communications and Home Box Office, had higher income, boosting pre-tax profits for the video group to $59m from $56.2m.

The latest results take earnings for the first nine months of 1985 to $148.4 m, or 70 cents a share, down marginally from $149.7m, or $2.31. Revenues rose from $2.22bn to $2.46bn, with $846.9m ($751m) in the latest quarter.

Sun launch brightens Eurodollar market

SUN, the U.S. oil company, brought a bright spot to the Eurodollar bond market yesterday with its launch of a $100m five-year deal regarded as almost generously priced, writes Maggie Urry in London.

BHF Bank bond average

Oct 15		Previous
104.493		104.784
High	1985	Low
105.603		99.840

The issue, in the name of Sun Capital Corporation, has a 10 per cent coupon and 99½ issue price. With fees totalling 1⅞ per cent, the all-in cost to Sun was 55 basis points above the U.S. Treasury yield curve. Traders said this was a good spread for the AA name. The lead manager is Crédit Suisse First Boston.

This is the first fixed rate Eurodollar deal CSFB, the foremost issuing house in the market, has led for some weeks. The market has been unsettled recently by the fall in the dollar and concern about the U.S. bond market. Sun's bonds were trading comfortably within the total fees.

Late in the day Goldman Sachs launched a $150m six-year issue for Ford Motor Credit, at a cost of 60 basis points over Treasuries. The issue has a 10½ per cent coupon and 100¼ issue price.

The issue for Long-Term Credit Bank of Japan, led by Bankers Trust, which was launched on Monday, was increased from $100m to $120m. It continued to trade well inside its fees.

Fixed rate dollar bonds were little changed yesterday although activity increased slightly. Dealers are still waiting for a lead from New York.

In the floating rate note market, Korea Exchange Bank launched a $100m issue led by Morgan Guaranty. The 15-year bonds pay interest at ⅛ per cent over six-month London interbank offered rate (Libor), and with fees of 135 basis points the yield is higher than most floaters offer.

The addition of Morgan's "flip flop" structure allows investors who are nervous about the borrower to switch after two years into a three-year note, paying a ⅛ per cent margin, and back again, and permits investors with a five-year horizon to buy the bonds. The bonds are also non-callable for five years. They were trading within the fees yesterday at 98.80 bid.

A $100m convertible issue for Dai-Ichi Kangyo Bank was launched by Dai-Ichi Kangyo International. The bonds mature in March 2001, and the coupon is indicated at 2¾ per cent. The bonds were trading around 99¼ compared with the par issue price, well inside the 2½ per cent fees.

The Inter American Development Bank's Swiss franc issue was launched yesterday by UBS. The SwFr 300m deal is divided into two equal tranches. The first, a 10-year issue, has an indicated yield of 5⅝ per cent. The second, which matures after 20 years, has an indicated 5¾ per cent yield.

Terms were fixed for the Province of Newfoundland's SwFr 150m 15-year issue at a 5¾ per cent coupon and 99¾ issue price, slightly above the indicated 5¾ per cent yield, by lead manager UBS. Soditic set a 7 per cent coupon for GTE Finance's SwFr 150m dual currency issue. The redemption amount was set at $3200 per SwFr 5,000 bond.

The Swiss franc secondary market was steady yesterday, and traders are beginning to wonder whether the high volume of new issues can be easily absorbed.

It was another dismal day in the D-Mark Eurobond market with prices down ¾ point on average. The domestic market is also weak.

In the Euroyen market Daiwa Europe launched a Y25bn dual currency deal for the Student Loan Marketing Association (Sallie Mae). The 10-year issue has a 8 per cent coupon and is priced at 101¼. It will be redeemed in dollars at a rate of Y183.82 to the dollar. Fees total 2 per cent.

Nomura International launched a Y15bn seven-year straight issue for the Mortgage Bank of Denmark. The coupon is 6½ per cent and issue price 102¼. Fees are 1⅛ per cent.

International bond service, Page 23

INTERNATIONAL COMPANIES and FINANCE

JAPANESE FINANCIAL DEREGULATION

Two US groups to gain trust bank status

BY OUR FINANCIAL STAFF

The Japanese Ministry of Finance (MoF) yesterday identified Morgan Guaranty and Bankers Trust of the U.S. as the first two foreign institutions which will gain access to the country's lucrative market for corporate pension fund management.

The MoF said it would grant licences which would enable the two to launch trust bank subsidiaries in Japan by the end of the month. Applications by seven other foreign banks—approved in principle earlier in the year, along with those by Morgan Guaranty and Bankers Trust—were not as far advanced, it added.

The subsidiaries of the two U.S. banks are to be capitalised at an initial Y1bn ($4.4m) each. They will be wholly owned by their respective parents but are expected to evolve close trading links with a Japanese partner.

Morgan Guaranty's offshoot, which plans links with Mitsui Trust and Banking, is to be headed by Mr Osamu Toba, who is presently a senior vice-president of the New York parent. Bankers Trust, which is arranging an association between its trust bank unit and Sumitomo Trust and Banking, has appointed Mr Dennis Ferro as president of the Japanese operation.

Mr Ferro was formerly head of Bankers Trust Florida.

Mitsui and Sumitomo are two of Japan's seven existing trust banks, which along with the hybrid Daiwa Bank have had exclusive control over fund management in the country. Corporate pension fund assets rose by some Y3,000bn to reach Y17,500bn in the year to March, while net profits for the seven totalled Y77.3bn that year.

The other foreign banks which received preliminary MoF clearance in June are Barclays of the UK as well as Chemical Bank, Citicorp, Manhattan, and Manufacturers Hanover of the U.S., and from Switzerland Credit Suisse and Union Bank of Switzerland.

UK details deposit-taking terms

BY JUREK MARTIN IN TOKYO

JAPANESE securities houses will be permitted deposit-taking licences in London if the Bank of England is satisfied that it will have regular access to "the right people" exercising a supervisory role in Japan.

Sir Geoffrey Littler, Second Permanent Secretary to the Treasury, yesterday gave the UK perspective on Monday's round of bilateral talks with Japanese authorities. He broadly concurred in the judgment of his opposite number, Mr Tomomitsa Oba, the vice-Minister of Finance, that the Japanese brokers could be awarded their London licences by next spring when the two sides next confer.

In amplifying the negotiations, Sir Geoffrey said that, in the last analysis, exactly how the Japanese authorities conducted supervision was less important than the question of Bank of England's access to "the right people" the MoFs Banking Bureau.

This meant, he said, regular contacts as well as a sense of whom to turn to should problems arise.

In Japan, which draws legal distinctions between broking and banking, it is the MoF's Securities Bureau which supervises brokers and its Banking Bureau which oversees banks. The Bank of England requires that foreign non-banks be subject to the supervision of the banking authorities in their countries of origin.

Sir Geoffrey noted that in the case of the three U.S. non-banks which have acquired UK deposit taking licences—Goldman Sachs, Merrill Lynch, and American Express—satisfactory relationships had been established between the Bank of England and their U.S. supervisory authorities, the New York State Banking Board.

In the latest round of talks, the MoF has proposed that all its resources, including those of the Banking Bureau, would be devoted to overseeing the affairs of Nomura Securities, the leading applicant, and the other "big three," Daiwa, Yamaichi, and Nikko. Sir Geoffrey said that "some i's need to be dotted and t's crossed" but that MoF's position was "a good deal nearer" to British requirements.

He warned, however, that the applications of the four Japanese houses would then have to be dealt with individually, rather than as a group, a process which might take a little time.

Sir Geoffrey felt that senior MoF officials were "somewhere between being reconciled to and enthusiastic for" the process of financial liberalisation, but that the balance of opinion "was looking favourable." The conflict of earlier bilateral negotiations was, he said, now absent.

He said he would be "worried again," however, if the queue of UK applicants for Tokyo securities and other licences were to lengthen once more. A year ago, he had charged that Japanese willingness to admit UK institutions amounted to "a blank sheet of paper."

Surprise at pricing of SIA share flotation

By Chris Sherwell in Singapore

STOCK MARKET analysts expressed some surprise yesterday at the apparently high pricing proposed for shares to be offered to the public next month by Singapore International Airlines (SIA).

The largely state-owned airline is seeking a listing on the Singapore Stock Exchange, and the S$5 price was revealed in an information memorandum which SIA has circulated to employees who hold shares.

Local brokers agree that the share issue will almost certainly be successful, but say the public issue price has been pitched high and that shareowning employees stand to reap windfal profits from the issue.

The document confirms that the issue will be 50m new shares together with an unknown number of shares bought from employees under a buyout scheme.

At least half of the offered shares will be allocated to the public in Singapore, and the balance will be placed in London, New York and Tokyo. Development Bank of Singapore is lead-managing and underwriting the issue, with S. G. Warburg & Co, Goldman Sachs International, and Daiwa Securities as co-underwriters.

Assuming share-owning employees convert all partly-paid to fully-paid shares, the previously announced one-for-one scrip issue to be made in advance of the flotation will involve 284.8m shares, doubling the present issued capital to 569.7m shares. With the 50m new shares, there will thus be 619.7m shares at the time of the flotation.

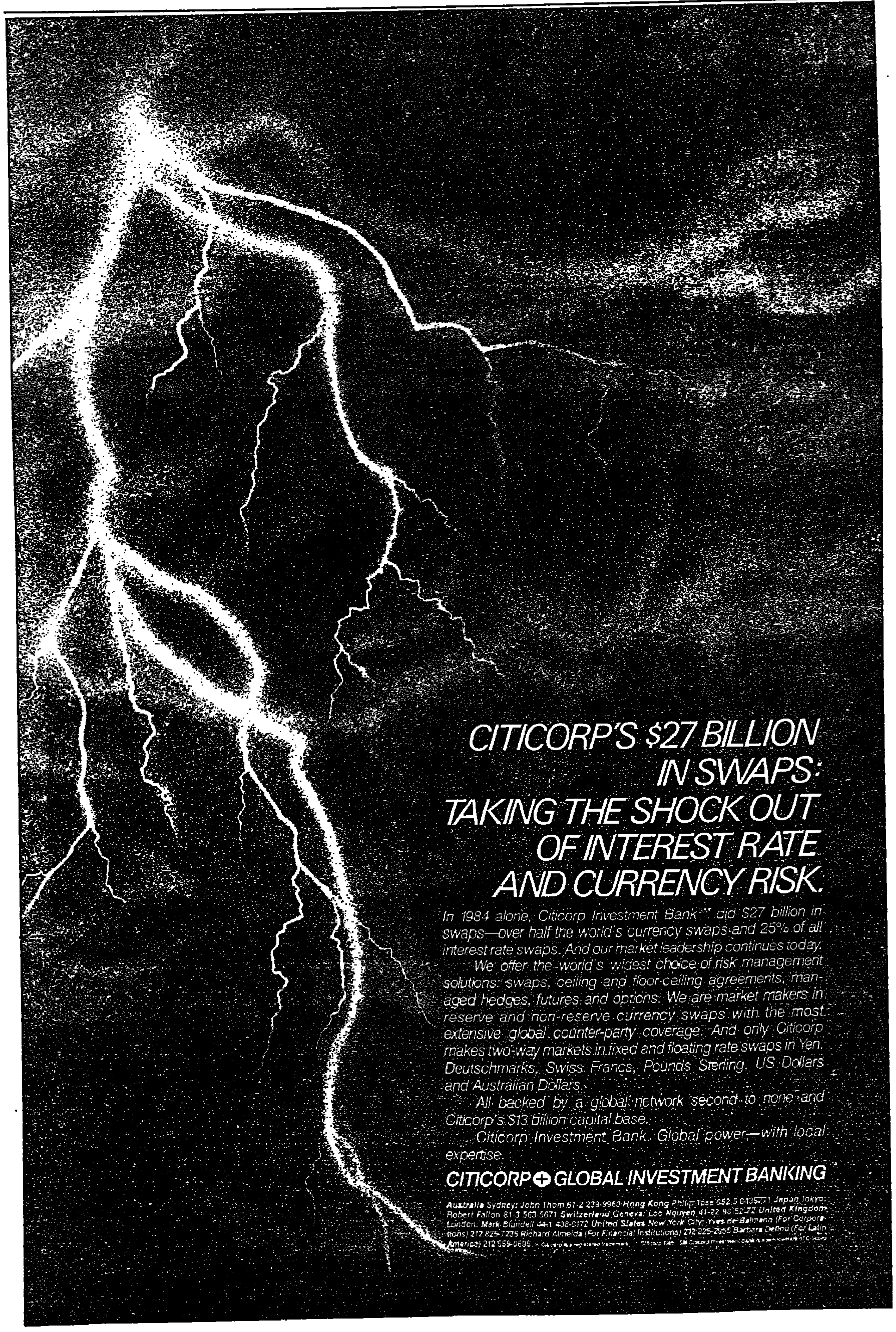
The buyout offer price to employees is S$4.875, a 2½ per cent discount on the public issue price to allow for commission. The price is a major attraction to employees: shares were last offered to staff at S$5.16, equivalent to S$2.58 if the effect of the scrip issue is taken into account.

Reports circulating in the market yesterday suggested that the "grey market" value of SIA shares ahead of the scrip issue is anything between S$8 and S$12. This price, reflecting transactions which often take place ahead of public offerings, would suggest that the S$5 level chosen for the new shares might have been pitched about right.

But some brokers disputed this by challenging the profit forecasts given by SIA, which point to pre-tax earnings of S$292m (U.S.$136.4m) for the year to March 1986, some 47 per cent higher than this year's S$198.1m. The after-tax figure is S$259m.

Because this includes an exceptionally large surplus of S$117m from the sale of aircraft, they maintained, the forecast net price earnings ratio of 11.1 times was misleading, and the more reliable figure was closer to 16 or even 21, depending on how the calculations were done.

But a banker familiar with SIA argued that it was perfectly fair to include proceeds from aircraft sales as a normal part of earnings. SIA depreciated its aircraft faster than other airlines, he argued, which meant a heavier charge on profits.



Net profits at Honda show 42% advance at mid-year

BY YOKO SHIBATA IN TOKYO

NET PROFITS for Japan's Honda Motor group soared by 42.1 per cent to Y82.49bn ($383m) in the first half to August.

Honda said the increase, which came despite a substantial boost in research and development expenditure, was achieved primarily as a result of an advance in the volume of sales and Y3.6bn in foreign exchange gains.

Sales rose by 11.9 per cent to Y1,506.86bn, attributed largely to demand for the restyled Accord cars. Domestic sales were 13.4 per cent ahead to account for 28.2 per cent of the total. Overseas sales rose 11.3 per cent, although the ratio to total sales dipped by 0.3 per cent.

Sales of four-wheeled vehicles rose 5.5 per cent to 657,000 units, of which exports—up 3.1 per cent—accounted for 438,000 units including 31,000 knock-down kits to BL of the UK.

In the current year to February 1986, Honda expects to provide 67,000 kits to BL against the previous year's total of 46,000.

Unit sales of motorcycles rose by 13.1 per cent to 1.79m, partly attributed to brisk sales of scooters in the U.S., where 120,000 were sold against a target of 70,000.

For the parent company alone pre-tax profits rose by 26.8 per cent to Y36.7bn and net profits advanced by 40.1 per cent to Y20.3bn. Sales were Y1,055bn, up 11 per cent.

Honda gave its full year earnings forecast on a parent company basis. Pre-tax profits are expected to increase by 22 per cent to Y80.2bn. Projected net profits are Y42bn, up 29 per cent on a 16 per cent sales gain to Y2,230bn.

Flat first-half net result for Commonwealth Bank

THE COMMONWEALTH Bank Group, the Australian government-owned savings and commercial bank, has reported profits after tax and extraordinary items of A$237m (U.S.$167m) for the year to June, barely above the previous year's A$236.4m, AP-DJ reports

The flat result was attributed to a restructuring, carried out last year, which made the savings bank and development bank operations subject to tax for the first time. This removed about A$53m from net profits. At the pre-tax level, earnings were up 24 per cent to a record A$359.5m.

Sir Brian Massy-Greene, the chairman, said that despite intense competition in all sectors, deposits rose to A$23.07bn from A$21.2bn.

Notice to Holders

New Zealand

Adjustable Rate Extendible Notes, Series A

Pursuant to paragraph 5(e) of the Fiscal Agency Agreement dated November 7, 1984 between New Zealand and Citibank, N.A., fiscal agent, notice is hereby given that New Zealand has designated a Subsequent Repayment Date and interest rate for the period ending on such Subsequent Repayment Date, with respect to New Zealand's Adjustable Rate Extendible Notes, Series A (the "Notes").

Subsequent Repayment Date

New Zealand has designated February 5, 1986 as the next Subsequent Repayment Date.

Interest Rate

The interest rate on the Notes from November 6, 1985 to February 5, 1986 will be equal to (a) the weighted average per annum discount rate for direct obligations of the United States with a maturity of 91 days ("91-day Treasury bills"), expressed as a bond equivalent on the basis of a year of 365 or 366 days and applied on a daily basis, at the applicable 91-day Treasury bill auction (the date of such auction being herein referred to as an "Auction Date") as published by the Board of Governors of the Federal Reserve System or (if not so published) as reported by the Department of the Treasury (the "91-day Treasury bill rate") *plus* (b) the Applicable Spread (as defined below) for such Auction Date.

Such Treasury bills are usually sold at auction on Monday of each week unless that day is a legal holiday in which case the auction is usually held on the preceding Friday. If such Treasury bill rate ceases to be so published or reported prior to February 5, 1986, the then current rate of interest will remain in effect until the earlier of February 5, 1986 or such time as such rate is again published or reported.

The interest rate will be subject to adjustment on the calendar day following each auction of 91-day Treasury bills; *provided, however,* (i) that the interest rate in effect for the period from November 6, 1985 through the date of the first 91-day Treasury bill auction after such date shall be based upon the results of the most recent 91-day Treasury bill auction prior to such date, and (ii) that the interest rate in effect for the ten day period immediately prior to February 5, 1986 shall be based upon the results of the most recent 91-day Treasury bill auction prior to the tenth day preceding such date.

The "Applicable Spread" for an Auction Date will be equal to the greater of (a) 60% of the amount by which three-month LIBOR on such Auction Date (determined as provided below) exceeds the 91-day Treasury bill rate on such Auction Date and (b) 80 basis points.

Three-month LIBOR on an Auction Date will be equal to the arithmetic average (rounded upward, if necessary, to the nearest multiple of 1/16 of 1%) of the quotations provided by the principal London office of each of the Reference Banks (as defined below) to the Fiscal Agent on such Auction Date for United States dollar deposits for the three month period beginning on such Auction Date as offered to leading banks in the London interbank market at approximately 3:00 p.m. (London time) on such Auction Date. If on any Auction Date at least two Reference Banks provide quotations to the Fiscal Agent, three-month LIBOR on such Auction Date shall be the arithmetic average (rounded as stated above) of such quotations; if on any Auction Date less than two Reference Banks provide such quotations, then three-month LIBOR on such Auction Date shall be the same as three-month LIBOR on the immediately preceding Auction Date. "Reference Banks" means Citibank, N.A., The Chase Manhattan Bank (National Association) and Lloyds Bank PLC.

Each holder of a Note will be deemed to have elected to extend the date of repayment of such Note to February 5, 1986 unless the form entitled "Option to Elect Repayment" appearing on the reverse side of the Note or a facsimile or telex thereof, duly completed by the holder of such Note, has been received by the Fiscal Agent, in the case of Notes in registered form, at its address at 111 Wall Street, Registered Bond Processing Department, Fifth Floor, New York, New York 10043, and in the case of Notes in bearer form, at the main office of the Fiscal Agent in London, NOT LATER THAN JANUARY 27, 1986.

CITIBANK, N.A.,
Fiscal Agent

Dated: October 16, 1985

INTL. COMPANIES & FINANCE

Icahn plans 1,000 job cuts in TWA revitalisation strategy

BY OUR NEW YORK STAFF

MR CARL ICAHN, the Wall Street investor who recently acquired Trans World Airlines (TWA), has moved quickly to stem the losses of the biggest transatlantic carrier, and begin rebuilding its fortunes.

Mr Dick Pearson, TWA's president, has described plans to shed 1,000 jobs and cut the wages of the non-unionised section of TWA's workforce by 10 per cent or more in a bid to save $100m a year. He gave the details at a chamber of commerce meeting in Kansas City, Missouri, home of TWA's maintenance and administration operations.

The cuts are on top of the $200m worth of concessions which Mr Icahn exacted from TWA's unions, in return for his stepping in to save TWA from a rival bid from Texas Air, whose management is regarded with hostility by TWA's 18,000 union members.

It has been no secret that the new owners of TWA were expecting the airline's 10,000 non-union workforce to agree to wage concessions. Mr Pearson expected to eliminate the jobs of 585 managers – about 15 per cent of the total – and between 450 and 500 other non-union personnel such as ticket agents, secretaries and clerical workers.

Mr Pearson, who was elected president last month, said the airline planned pay cuts of between 10 per cent and 12 per cent for the remainder of the non-union workforce. The job cuts are expected to take place before the end of the year.

Mr Pearson said the reduction in management jobs would start at the top and would reduce the workforce "to the point where the airline will be effective." TWA is also offering early retirement to non-management workers and is considering moving its corporate headquarters from New York to Kansas City or St Louis, TWA's main domestic hub.

The restructuring announcement follows the signing of a definitive merger agreement between Mr Icahn and TWA on September 26. Mr Icahn said last week that TWA would soon be seeking to raise $700m to invest in aircraft and the expansion of the group's reservation system.

Quarterly deficit up at Kaiser Aluminum

By Our Financial Staff

KAISER Aluminum and Chemical, the third largest U.S. aluminium producer, turned in an increased third-quarter loss of $14.2m, against $10.7m a year ago, on continuing operations. On a per share basis the deficit rose from 25 cents to 34 cents.

This left the group showing a nine-month loss of $43.6m, or $1.06 a share, compared with a profit of $40.9m, or 93 cents, last time. Turnover for the latest quarter was lower at $526.4m, against $548.8m, for a nine-month total down from $1.66bn to $1.52bn.

The latest quarter excluded a $3.5m ($6.8m) loss from discontinued activities. For the nine months this loss was $62.5m ($67m).

Mr Cornell Maier, chairman and chief executive, said results had benefited from continued good performance by Kaiser Development, its property subsidiary, where pre-tax profits already exceed those for the whole of last year.

On the aluminium side, costs were being cut, but falling prices were making the task tougher. However, he said, "when all elements of the strategic plan are in place, the corporation will be profitable."

NORTH AMERICAN QUARTERLIES

BOISE CASCADE
Forest products

Third quarter	1985 $	1984 $
Revenue	934m	963m
Net profits	20.3m	32.7m
Net per share	0.65	1.13
Nine months		
Revenue	2.8bn	2.9bn
Net profits	85.3m	94.1m
Net per share	2.84	3.24

CERTAINTEED
Building materials

Third quarter	1985 $	1984 $
Revenue	304.1m	327m
Net profits	18.3m	3.7m*
Net per share	0.93	0.17*
Nine months		
Revenue	848m	915.8m
Net profits	43m	29.7m*
Net per share	2.18	1.47*

* Includes $18m or 86 cents p.s. charge

COLT INDUSTRIES
Vehicle, aerospace parts

Third quarter	1985 $	1984 $
Revenue	436.6m	435.5m
Net profits	30.1m	30m
Net per share	1.50	1.44

CORNING GLASS WORKS
Glass products

Third quarter	1985 $	1984 $
Revenue	474.5m	508.1m
Net profits	10.6m	17.5m
Net per share	0.25	0.42
Nine months		
Revenue	1.29bn	1.32bn
Op. net profits	79.1m	74.4m
Op. net per share	1.87	1.77

DANA
Vehicle parts

Third quarter	1985 $	1984 $
Revenue	908.3m	882.8m
Net profits	41.1m	48.6m
Net per share	0.73	0.86
Nine months		
Revenue	2.83bn	2.7bn
Net profits	135.5m	142.6m
Net per share	2.40	2.53

DATAPOINT
Business eqpt.

Fourth quarter	1984-85 $	1983-84 $
Revenue	125.1m	164.6m
Op. net profits	†6.2m	4.5m
Opt. net per share	†0.37	0.22

GT. NORTHERN NEKOOSA
Pulp and paper

Third quarter	1985 $	1984 $
Revenue	475.3m	472m
Net profits	9.6m	30.5m
Net per share	0.38	1.17
Nine months		
Revenue	1.45bn	1.41bn
Net profits	35.9m	95.3m
Net per share	1.38	3.66

LIBBEY-OWENS-FORD
Glass products

Third quarter	1985 $	1984 $
Revenue	479.1m	422.8m
Net profits	14.7m	15.8m
Net per share	1.10	1.29
Nine months		
Revenue	1.41bn	1.33bn
Net profits	55.5m	53.5m
Net per share	4.45	4.42

MORTON THIOKOL
Salt, chemicals

First quarter	1985-86 $	1984-85 $
Revenue	460.5m	438.6m
Net profits	34.7m	35m
Net per share	0.73	0.68

Continued on Page 43

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for October 15.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	101½	102	0	0	10.34
Amex Credit 12⅝ 88	150	106⅜	106⅞	+0⅛	+0¼	9.96
Atlant Richfld 10¼ 00	250	94	94½	0	+0½	11.04
Australia Com 11¼ 90	100	102⅞	103⅜	0	+0⅜	10.30
Australia Com 11 95	200	101⅞	102⅜	+0⅛	+0⅜	10.61
BP Capital 11¼ 92	150	102	102½	0	+0¼	10.59
Canada 11½ 90	500	105	105½	+0⅛	+0¼	9.94
Canadian Pac 10¼ 93	100	101½	102	-0⅛	0	10.38
Canadian Pac 12½ 89	75	107¾	108¼	+0⅛	+0¼	11.33
Chevron U.S.A. 12¼ 89	600	104¼	104¾	+0⅛	+0⅛	10.80
Citicorp 10 88	200	100¼	100¾	+0⅛	+0⅜	9.77
Citicorp 11½ 95	150	101⅜	101⅞	+0⅛	-0⅛	11.19
Coca Cola 11¼ 91	100	105⅛	105⅝	+0⅛	+0⅛	10.27
Denmark Kingdom 11¼ 89	100	102½	103	0	+0¼	10.24
Denmark Kingdom 11½ 90	100	103⅜	103⅞	0	+0¼	10.43
Denmark Kingdom 11½ 92	100	102½	103	+0⅛	+0¼	10.85
E.D.F. 10 95	225	94⅞	95⅜	0	+0⅜	10.82
E.E.C. 9⅝ 90	350	97⅝	98⅛	+0⅛	+0¼	10.19
E.E.C 11⅛ 90	100	102¾	103¼	+0⅛	+0⅛	10.19
E.I.B. 12 95	200	106⅜	106⅞	0	+0¼	10.82
Export Dev Corp 10 90	100	99½	100	0	+0¼	10.04
Export Dev Corp 12 89	100	105⅞	106⅜	0	0	10.07
Fed Dep Stores 10⅛ 95	100	96⅝	97⅛	+0⅛	+0½	10.64
Ford Motor Cred 11⅜ 90	100	102⅜	102⅞	+0⅛	+0¼	10.55
Ford Motor Cred 11⅝ 95	100	102⅛	102⅝	+0⅛	+0⅜	11.18
Ford Motor Cred 11¾ 92	100	102¾	103¼	+0⅛	+0¼	11.05
Ford Motor Cred 12 95	100	104¼	104¾	+0¼	+0⅝	11.17
Gen Elec Credit 10¼ 00	200	100½	101	0	+0¼	10.13
GMAC 10¼ 89	200	100⅜	100⅞	0	0	10.00
IBM Credit 10⅛ 2000	300	101⅜	101⅞	-0¼	-0⅛	10.14
Kellogg Company 10⅞ 90	100	102⅝	103⅛	+0⅛	+0¼	9.98
Kellogg Company 11¼ 92	100	102⅞	103⅜	0	-0⅛	10.52
L.T.C.B. 12⅞ 91	100	109⅜	109⅞	0	+0⅛	10.63
Macy Cred Corp 11¾ 95	100	103½	104	+0⅛	+0¼	11.06
Merrill Lynch 12¼ 89	100	105⅜	105⅞	+0⅛	+0¼	10.32
Minnesota 11½ 87	100	103¼	104	+0¼	+0¼	9.43
Mitsui Trust 11⅝ 90	100	102⅜	102⅞	+0⅛	+0⅞	10.85
Morgan Guaranty 12⅜ 89	150	106¼	106¾	0	+0⅛	10.30
Pru Realty secs 12⅛ 95	546	105⅛	105⅝	0	0	10.97
Qantas Airways 10⅜ 95	140	98⅛	98⅝	0	+0¼	10.83
Quebec Hydro 11½ 92	100	104½	105	+0⅛	+0⅜	10.51
Queensland Govt 10¼ 95	100	96⅛	96⅝	0	+0½	10.86
Ralston Purina 11¾ 95	150	104⅛	104⅝	+0⅛	+0¼	10.96
Ralston Purina 12¾ 89	100	107⅛	107⅝	+0⅛	+0¼	10.40
Saskatchewan 10¼ 92	100	101¼	101¾	0	+0⅜	10.39
Saskatchewan 11⅞ 89	100	105⅛	105⅝	0	+0¼	10.12
Statoil 10 90	170	99	99½	-0⅛	+0⅛	10.19
S Wales Trsy 11¾ 90	150	104½	105	0	+0⅜	10.25
Swed Exp Cred 10 92	100	97	97½	0	+0¼	10.57
Swed Exp Cred 12¼ 89XW	100	106¾	107¼	+0⅛	+0⅛	10.46
Sweden Kingdom 10⅞ 90	200	101¾	102¼	0	+0¼	10.27
Sweden Kingdom 11½ 89	200	104	104½	+0⅛	+0⅛	10.17
Sweden Kingdom 11¾ 94	100	104⅞	105⅜	-0⅛	0	10.83
Tenneco Corp 10¾ 95	150	99⅝	100⅛	0	+0¼	10.75
Texaco Capital 10 95	300	93⅜	93⅞	+0¼	+0⅜	11.06
Texaco Capital 11⅛ 95	250	100¼	100¾	+0⅛	+0¼	11.01
Tokai Asia 11½ 95	100	102¾	103¼	0	+0⅜	10.96
United Tech Fin 10⅝ 95	100	98⅜	98⅞	0	+0⅛	10.85
Victorian Rep 11⅜ 92	150	103½	104	0	+0¼	10.76
World Bank 10⅛ 95	300	97⅛	97⅝	0	+0⅛	10.55
World Bank 12⅞ 94	200	111⅛	111⅝	0	+0⅜	10.81

Average price change On day 0 on week +0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	†106	106½	0	-0½	7.03
Austria Republic 7⅛ 94	200	†104¾	105¼	0	-0¼	6.82
Baxter Travenol 7¾ 94	200	†103	103½	0	-0¼	6.72
Copenhagen 7⅝ 95	150	†102	102½	+0¼	+0½	7.08
Credit National 8⅛ 94	200	†107	107½	0	0	6.94
E.I.B. 7¼ 94	300	†102	102½	-0¼	-0½	6.91
Escom 8 92	150	†97	97½	+0¼	+1¼	8.55
Ex-Im Bk Korea 7⅞ 90	100	†100¼	100¾	+0⅜	+0¼	7.48
Ferrovie Dello Stato 8 91	100	†104½	105	0	0	6.91
Finland Republic 7 92	200	†101¾	102¼	-0⅛	+0¼	6.59
Gould Int Fin 7⅞ 91	100	†103½	104	-0⅜	-0¾	6.78
Ireland 8⅛ 92	150	†104¾	105¼	-0½	0	7.13
Japan Fin Corp 7⅞ 91	100	†105¼	105¾	-0⅜	-1	6.43
Mitsubishi Hvy 3½ 89WW	300	†184	186	+4	+6½	-13.98
Mitsubishi Hvy 3½ 89XW	300	†91¼	91¾	-0⅜	-1	6.30
Mitsubishi Met 3⅛ 89WW	100	†106½	107½	+0⅛	+1	1.39
Mitsubishi Met 3⅛ 89XW	100	†89¾	90¼	-0⅜	0	5.89
Quebec Hydro 7⅛ 95	200	†102¼	102¾	-0⅛	-0¼	6.75
Renfe 7¾ 95	100	†103	103½	0	-0¼	7.28
Soc Cent Nuclear 7¼ 95	150	†101¾	102¼	+0¼	+0¼	6.95
Societe Cent Nuclear 8 91	100	†106½	107	0	0	6.53
Sth African Tran 7⅞ 92	100	†93¾	94¼	0	-0¼	8.79
World Bank 7 95	600	†101	101½	+0⅜	-0½	6.82
World Bank 7¼ 89	100	†103½	104	0	+0¼	6.45

Average price change On day +0¼ on week +0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	†102	102¼	+0½	0	5.94
Avon Cap Corp 5⅝ 94	130	†100½	100¾	0	+0¼	5.29
Brd Iand Comp 6½ 99	75	†104¾	105½	0	-0¼	5.95
Council of Europe 6 92	120	†102¾	103	-0¼	-0¼	5.50
Creditanstalt 5½ 94	100	†100¼	100½	0	+0⅜	5.44
Deutsche Bk Fin 5⅛ 95	100	†103	103¼	0	0	4.94
E.I.B. 5⅞ 94	120	†102	102¼	-0¼	-0½	5.57
Gen Occidentale 4½ 94	80	†103	103¼	+0⅜	+0½	4.08
Glendale Fed.S&L 5½ 95	100	†99	99¼	+1	+1	5.62
I C Industries 5⅝ 94	125	†102¼	102½	-0¼	+0¼	5.29
Ind Fund Fin 5¾ 94	40	†101¼	101½	-0¾	-1¼	5.55
Int-Am Dev Bk 6⅛ 94	120	†103	103¼	-0½	-0½	5.67
N.Zealand steel 5¾ 96	70	†100	100¼	0	+0½	5.73
Oberos Kitwk 5⅝ 95	100	†100	100¼	0	0	5.35
Ralston Purina 5⅛ 94	125	†101½	101¾	+0¼	-0½	5.14
Santos Finance Ltd 6 94	130	†100	100½	-0⅜	-0⅛	5.96
Tokyo Elec Pwr 5½ 93	120	†101½	101¾	0	+0½	5.22
Tokyo Metropolis 5¼ 94	80	†100½	100¾	+0¼	0	5.16
World Bk 5¾ 94	150	†102½	102¾	+0⅜	+0¾	5.38

Average price change On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 6¾ 90	15	89¼	89½	-0⅞	-1¼	8.90
Gdyr Tr & Rubber 7⅛ 95	25	89⅛	89⅝	-0⅞	-1¼	7.21
Mort Bk Denmark 7 92	10	100⅛	100⅝	-0⅜	-0⅜	6.92
New Brunswick 7⅛ 95	10	101¼	101¾	-0⅜	-0⅞	6.90
Swed Exp Cred Zero 90	14	72¼	72¾	-0⅛	0	6.71

Average price change On day -0⅝ on week -0⅞

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aust Gas & Light 13 92 $A	50	99⅜	99⅞	-0¼	-0½	13.24
GMAC 12⅞ 88 A$	35	97	98	0	-0⅜	13.95
Kellogg Co. 12¾ 88 A$	30	96¼	97¼	+0⅛	-0⅞	14.16
Midland Int'l 13⅛ 90A$	50	99⅞	100⅛	+0⅛	0	13.45
Amex 10¼ 90 C$	50	99¼	99¾	+0⅜	+0¼	10.06
CIBC 10¼ 90 C$	75	†97¾	98¼	+0⅛	-0¼	11.29
Genstar Fin 11¾ 95 C$	75	99¾	100¼	+0½	+1⅛	11.79
Hamil-Went'th 10¼ 95C$	25	†94½	95½	0	-0½	11.61
Loblaw Cos 11⅝ 92 C$	50	†99⅛	99⅝	0	-0½	11.73
Sears Acc. Co 10⅛ 92C$	75	†94⅞	95⅜	0	-0¼	11.68
Winnipeg City 10⅛ 90C$	50	99¾	100¼	+0¼	+0½	10.08
Chrysler Fin Corp 17 90NS	65	92	93½	0	-0½	19.38
K.O.P. 16¼ 91 NS	50	89¼	89¾	-0¼	-0¾	19.61
Privatbanken 16⅜ 88 NS	50	95½	97½	+0¾	-0¾	17.97
B.N.P. 8⅞ 95 ECU	75	98⅞	99⅜	+0⅛	-0⅛	9.01
IBM Wld Trade 8¼ 90ECU	150	99¼	99¾	+0¼	0	8.37
Sec Pac Aust 8¾ 90 ECU	100	98¼	98¾	+0⅛	0	9.13
Honda Motor WW 3⅞ 90FL	100	102¼	102¾	+0⅛	+1⅛	3.26
Honda Motor XW 3⅞ 90FL	100	88½	89	0	+0¼	6.90
Thyssen 7¼ 90 FL	50	101	101½	-0⅛	-0¼	6.93
Wereldhave 7½ 90 FL	75	101½	102	0	0	7.05
Wessanen 6¾ 90 FL	50	98¼	98¾	0	0	7.12
S.N.C.F. 11 2000 FF	500	99⅛	99⅝	+0½	+0¼	11.07
Australia Comm 11 92 £	40	100⅝	101⅛	0	+0⅜	10.77
BP Capital 10¾ 92 £	50	100	100½	0	-0⅛	10.69
E.I.B. 11⅛ 93 £	50	100½	101	0	+0¼	10.94
GMAC UK Fin 10½ 99 £	30	98¾	99¼	0	+0⅛	10.75
Imp Chem Inds 11¼ 95 £	75	100⅞	101⅜	0	+0⅛	11.05
Imp Chem Inds 10¾ 92 £	75	98½	99	0	+0¼	11.00
Mcdonalds 10⅝ 90 £	40	100¾	101¼	-0⅜	+0⅛	10.55
Mitsubishi Fin HK 11 90 £	50	99¾	100¼	0	-0⅛	10.96
Privatbanken 11⅞ 92 £	20	101½	102	0	0	11.44
Rank Xerox 11 92 £	40	100	100½	0	+0⅛	10.91
Royal Ind 10¾ 92 £	60	97⅞	98⅜	+0⅛	+0⅞	11.14
Star Drug Cap 10⅞ 90 £	30	100⅛	100⅝	0	+0¼	10.72
Tricentrol XW 11 92 £	35	96½	97	-0¼	+0⅛	11.70
Tsthouse Forte 11⅛ 90£	50	99⅞	100⅜	0	+0⅛	11.05
World Bank 11¼ 95 £	100	101⅝	102⅛	0	+0⅛	10.90
E.C.S.C. 10½ 94LF	100	104¼	105¼	-0⅛	0	9.66
Nat Lux Alum 10½ 92 LF	600	104	105	0	+0¼	9.57

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma 5¼ 92	0	†99⅝	99⅞	28/10	8.1	8.12
BankAmerica O/S 5¼ 96	0⅛	99⅞	100⅛	30/12	8⅛	8.13
Bankers Trust 5 2000	0	99⅞	100⅛	11/12	8.44	8.44
B.F.C.E. 5¼ 89	0⅛	100¼	100½	13/12	8¾	8.72
B.N.P. 5¼ 95	0	101⅜	101⅝	10/1	5¼	5.17
B.N.P. 5¼ 96 (July)	0¼	100	100¼	22/1	8¼	8.24
B.N.P. 5¼ 99	0⅛	100	100¼	5/6	5¼	5.24
C.C.F. 5¼ 97	0	99¾	100	28/10	8.19	8.20
Chase Man'tn 5 2000	0	99¾	100	12/11	8⅛	8.14
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅛	5/12	8.44	8.44
Citicorp O/S 5¼ 96 Sep	0⅛	99⅞	100⅛	19/12	11.19	11.19
Credit Lyonnais 5¼ 96	0⅛	100⅝	100⅞	11/10	9.69	9.62
E.E.C. 5 90	0	99⅝	99⅞	8/1	5.06	5.08
Halifax 5 92 £	0	99⅝	99⅞	7/10	5	5.01
Ireland 5¼ 97	0	100	100¼	26/10	9.69	9.68
Ireland 5¼ 99	0	100¼	100½	16/3	8.94	8.90
Italy, Republic 5 94	0⅛	100	100¼	12/11	8⅞	8.86
Lloyds Bank Perp	0¼	100	100¼	9/12	8	7.99
Midland Bank Perp 5	0¼	99½	100	19/12	8⅛	8.15
Nat West Perp A 5¼ S	0¼	99¾	100	9/1	8¼	8.26
Nat West Perp B 5¼ S	0¼	99⅞	100⅛	10/2	8.91	8.91
New Zealand 5 97 £	0	99¾	100	14/11	11.56	11.58
Roy Bk Canada 5 2005	0⅛	99¾	100	7/10	8¼	8.26
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	1/11	11.69	11.78
United Kingdom 5 92	0	99⅞	100⅛	7/7	5	5.00

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	124⅝	125⅝	-0⅛	7.38
Comcast 7 2000	12/85	23.875	†104½	105½	+1⅛	25.34
Fanuc 3¾ 98	1/84	7032.3	100¼	101¾	+0¾	64.42
Fuji Hvy Inds 3 2000	8/85	676	100	101	+1⅞	6.70
Fujitsu 3 99	5/84	1320.9	94¾	95¾	+1⅜	14.59
Kumagai Gumi 3½ 2000	3/85	600	103¾	105¼	-1	9.02
Marui 3½ 99	7/84	1162	149	150	0	1.30
Mitsubishi Elec 2⅞ 00	3/85	422	104⅞	105⅝	-0¼	-0.44
Murata 3½ 2000	7/84	2388	100⅜	101⅜	-0½	26.67
Nippon Elec 2⅞ 2000	1/85	1395	96½	97½	+0⅞	38.45
Nippon Oil Co 3 2000	5/85	923	97½	98½	+0¾	-1.76
Oki Elec Ind 3½ 99	10/84	805	91⅝	92⅝	+3¼	22.18
Orient Leasing 5¼ 98	6/83	2680	102¾	104¾	+2¾	-2.25
Sekisui House 3 99	6/84	612	175¾	177¼	-1⅜	4.52
Sumitomo Bank 2¾ 2000	8/85	2142	101	102	0	8.83
Sumitomo Corp 2⅞ 99	5/84	593	146½	147½	+0½	2.61
Taiyo Yuden 3¼ 2000	3/85	1078	†91	93	0	-2.22
Takeda Riken 3⅛ 2000	10/84	7663	†85	87	+1	16.96
Tokyo Sanyo Elec 3½ 99	12/84	772	94⅝	95⅝	+0¾	2.88
Toshiba Ceramics 3 2000	4/85	1734.2	87⅛	88⅛	+0⅜	7.99
Nippon Oil Co 2⅛ 92 SF	3/84	1052	†98½	99¾	-0⅝	23.72
Nippon Shinpan Co 2 92 SF	3/84	801	†115½	115¾	-0¼	12.42
Asics 5 92 DM	12/83	520	†107¼	109	+0⅞	19.74
Renown 3⅛ 90 DM	3/85	675	†*108½	109½	0	-3.58
Sum Realty 6¼ 92 DM	2/83	338	†*375	376	+18¼	-2.32

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cn. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

October 16, 1985

Die Erste österreichische Spar-Casse-Bank
First Austrian Bank
(Established in Austria with limited liability in 1819)
formerly
Die Erste österreichische Spar-Casse

US$40,000,000
Subordinated Floating Rate Notes Due 1992

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six months from October 17, 1985 to April 17, 1986 the notes will carry an interest rate of 8⅝% per annum. On April 17, 1986 interest of US$436.04 will be due per US$10,000 Note against Coupon No. 8.

Agent Bank
ORION ROYAL BANK LIMITED
A member of The Royal Bank of Canada Group

The Kingdom of Denmark
U.S. $500,000,000
Floating Rate Notes Due October 1990

For the six months 15th October 1985 to 15th April 1986 the Notes will carry an interest rate of 8 9/16% per annum with a Coupon Amount of U.S. $432.88 per U.S. $10,000 Note and U.S. $10,822.05 per U.S. $250,000 Note, payable on 15th April 1986.
Listed on the Luxembourg Stock Exchange
By: Bankers Trust Company
Fiscal Agent

Granville & Co. Limited
Member of The National Association of Security Dealers and Investment Managers
8 Lovat Lane London EC3R 8BP Telephone 01-621 1212

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	123	Ass. Brit. Ind. Ord.	131	—	6.6	5.0	7.3	8.7
151	135	Ass. Brit. Ind. CULS	137	—	10.0	7.3	—	—
77	43	Airsprung Group	55	—	6.4	11.6	9.2	12.0
46	35	Armitage and Rhodes	45	—	4.3	9.6	5.6	6.7
159	108	Bardon Hill	158	+1	4.0	2.5	20.0	20.8
64	42	Bray Technologies	60	−1	3.9	6.5	7.3	8.5
201	155	CCL Ordinary	155	—	12.0	7.7	3.8	3.6
152	104	CCL 11pc Conv. Pf.	104	—	15.7	15.1	—	—
130	10	Carborundum Ord.	126xd	—	4.9	3.9	6.2	9.8
92	83	Carborundum 7.5pc Pf.	92	—	10.7	11.6	—	—
73	46	Deborah Services	50xd	—	7.0	14.0	5.2	6.8
650	182	Frank Horsell	650	—	1.4	0.2	15.3	20.6
529	170	Frank Horsell Pr.Ord.87	529	—	11.9	2.2	12.5	16.8
32	21	Frederick Parker	21	—	—	—	—	—
83	33	George Blair	79	—	—	—	3.2	5.9
50	20	Ind. Precision Castings	42	+1	3.0	7.1	11.1	9.3
218	177	Isis Group	190	—	15.0	7.9	14.6	21.8
124	101	Jackson Group	106	−2	5.5	5.2	7.1	7.1
285	213	James Burrough	248	—	15.0	6.0	7.8	7.8
94	83	James Burrough 9pcPf.	93	—	12.9	13.9	—	—
95	71	John Howard and Co.	87	—	5.0	5.7	6.9	10.9
229	100	Linguaphone Ord.	180	—	—	—	6.6	6.9
100	90	Linguaphone 10.5pc Pf.	90	—	15.0	16.7	—	—
650	300	Minihouse Holding NV	570xd	—	6.9	1.2	24.9	23.7
120	31	Robert Jenkins	60	—	—	—	10.4	22.8
60	28	Scruttons "A"	31	—	—	—	—	7.9
92	61	Torday and Carlisle	68xd	—	5.0	7.4	3.4	6.2
444	320	Trevian Holdings	320	—	4.3	1.3	18.2	17.9
34	17	Unilock Holdings	34	—	2.1	6.2	9.2	8.0
113	81	Walter Alexander	110	—	8.6	7.7	6.2	7.6
247	195	W. S. Yeates	200	—	17.4	8.7	5.7	9.8

Prices and details of services now available on Prestel, page 48146

U.S. $100,000,000
National Westminster Bank PLC
Floating Rate Capital Notes 1994

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from 16th October, 1985 to 16th April, 1986 the Notes will carry an Interest Rate of 8 9/16% per annum. The interest payable on the relevant interest payment date, 16th April, 1986 against Coupon No. 14 will be U.S. $43.29.

By Morgan Guaranty Trust Company of New York, London
Agent Bank

INTL. COMPANIES & FINANCE

Bernard Simon on the repercussions of the CCB affair

Canadian banks search their souls

WHAT seemed a few weeks ago to be no more than the well-deserved demise of two small, mismanaged banks in Alberta has developed into deep soul-searching for the entire Canadian banking system.

As regulators and bankers seek to avoid a repetition of Canada's first bank failures in 62 years, lending practices of even the biggest institutions are likely to come under close scrutiny, including their substantial participation in loans to troubled Third World debtors.

Bankers in Toronto and Montreal are also concerned at the effect which recent events may have on the reputation of the Canadian banking system for stability and integrity. Among other things, they worry whether the blue-chip credit ratings of the big Canadian banks on international capital markets will be affected.

There is widespread agreement that the full impact of last month's collapse of Canadian Commercial Bank of Edmonton and Calgary-based Northland Bank has still be be determined. No one is sure yet how seriously small banks and other savings repositories have been shaken by the sudden flight of funds to bigger, more stable institutions. A heavy withdrawal of deposits in the wake of the CCB and Northland failures has already made the six largest banks rally round Mercantile Bank, a Montreal-based wholesale bank in which Citibank of New York has a 24 per cent stake.

The shares of Continental Bank of Canada, with assets of C$6.2bn (US$4.5bn) fell to a three-year low on the Toronto Stock Exchange last week.

Earlier this week, CCB said it had no funding problems.

What has become known as the CCB affair became public knowledge last March when the Federal government persuaded the six biggest Canadian banks (Royal Bank of Canada, Bank of Montreal, Canadian Imperial Bank of Commerce, Bank of Nova Scotia, Toronto-Dominion Bank and National Bank) to participate in a C$255m package to bail out Canadian Commercial Bank.

CCB, with assets of C$2.7bn, was a regional bank founded in the 1970s during the heady western Canadian energy boom. Its heavy exposure to energy and real estate markets became a millstone when the energy boom collapsed in 1981-82. It became clear soon after last March that Ottawa and the banks had taken on more than they had bargained for.

CCB's loan portfolio was in far worse shape than the rescuers had been led to believe. According to a secret report commissioned by the Government last summer, almost 40 per cent of the bank's loans had turned sour. Some, the report said, "were problem loans the day they were made."

The CCB bail-out immediately focussed attention on Northland Bank, which had also put many of its eggs into the energy and property baskets. Nervous depositors began to pull their money out of both institutions.

By early September when Ottawa finally decided to appoint curators for the two Alberta institutions, the aBnk of Canada had lent them a total of C$1.8bn to make up for deposits withdrawn by nervous customers.

Having vouched for the stability of CCB between March and September, the Government has had little choice but to reimburse all depositors who left their money in the two banks, including those with accounts of more than C$60,000 which are not normally covered by the Canada Deposit Insurance Corporation. Payouts to uninsured depositors wil cost the Government almost C$900m.

Sensitive to rumours

Blame for the CCB and Northland fiasco has yet to be apportioned among the banks' managements, directors, auditors and government regulators. All these groups' responsibilities are likely to come under scrutiny in the months ahead, in some cases in the courts.

The case of Mercantile Bank is different. Although there are some concerns about its loan portfolio, it does have a more diverse spread than CCB or Northland and is widely acknowledged to be well managed. Profits have risen substantially in the past year to C$15.6m in the nine months to July 31.

But, as a wholesale bank, Mercantile has been particularly sensitive to rumours in the financial markets.

A week ago the big six banks put together a support package for Mercantile and carried out a special audit which has recommended that additional reserves be provided for potential loan losses. The bank said on Monday that such extra reserves were "beyond what is normal and prudent," but added that it was continuing to suffer liquidity pressures.

Mercantile has retained Salomon Brothers to help it find a merger partner; there have been persistent rumours either that Citibank would take up the remainder of the equity or that one of the big six would absorb Mercantile.

That is what has usually happened in the past to Canadian banks in difficulty. The names of three of the big six banks are evidence of their regional origins. Each has grown by taking over less fortunate institutions. The Toronto-Dominion, for example, was created in 1955 by a merger between the Toronto and Dominion banks. No fewer than 107 banks have come and gone in the growth of the 12 remaining institutions. One of the key questions raised by the CCB affair is whether there is still a place for regional banks in Canada, a huge country where regional loyalties are strong, but local economies relatively small, narrowly based and thus volatile.

The collapse of two regional banks and problems at a number of other small institutions have certainly given a boost to the six largest banks, all of which are based in Ontario and Quebec, and all of which have a wide basis of retail deposits. Many local authorities and utilities, once tempted by the small banks' generous deposit rates, have begun to place security above returns and are shifting funds to the big six.

New doubts about the efficacy of the present regulatory system have allowed the big banks—regarded by many Canadians as insensitive oligopolists—to stop worrying for the time being about government plans to sharpen competition on the financial services industry. Proposals made in a green paper earlier this year to sanction the creation of bank subsidiaries by the fast-growing financial conglomerates are unlikely to be implemented for some time, if ever.

According to one banker, the conditions for survival of regional institutions in future will include a solid retail base and a diversified loan portfolio.

He points to Bank of British Columbia in Vancouver, which appears to have been relatively unscathed by the latest rash of rumours. Besides having 60 consumer branches throughout western Canada, the bank was given a large injection of capital and a new management team last year when there were fears that it was on the ropes.

Recent events are bound to bring far-reaching changes in official supervision of Canada's financial institutions. The highest priority is being given to ways of maintaining closer scrutiny over bank loans and to reform of the government's deposit insurance scheme.

Better regulation

The big banks hope that better regulation will not mean tighter regulation. Some argue that the Inspector-General of banks, an official who reports to the Minister of Finance, already has all the powers he needs to bring errant institutions to heel. For example, he can order a bank to appoint new auditors.

Moves are already afoot among the big banks to stave off more government intervention by improving self-policing mechanism. One proposal is the creation of an industry surveillance committee comprised of senior retired bankers with power to alert banks and government to problem areas.

The banks are also likely to examine closely the role of their external auditors and boards of directors. The average board of a large Canadian bank consists of no fewer than 40 people (compared with 24 in the U.S. and 20 in Britain). Representation for big customers, women and various interest groups has been more important in some cases than a director's knowledge of banking.

The big banks may be excessively optimistic in believing that they can fend off stiffer government surveillance of their activities. The Inspector-General has already begun strenthening his staff by recruiting retired bankers as consultants. One of these, a former vice-chairman of he Bank of Nova Scotia, compiled the report on CCB which persuaded the government to put the Edmonton bank into liquidation.

With their position as the kingpins of the Canadian financial system more securely entrenched than ever, the big banks may face more, rather than fewer, calls from a suspicious public for outside monitoring of their operations.

UK COMPANY NEWS

Paterson Zochonis profit up £7.7m

WITH GREATLY increased contributions from associates and investment income, the Paterson Zochonis group of West African merchants and manufacturers has beaten its profit expectations.

The directors were looking for at least £36m for the year ended May 31, 1985. The final outturn is a record £38.6m at the pre-tax level, compared with £30.95m in 1984. The final dividend is 4.35p for a total of 5.9p net, against 5.15p.

Mr J. B. Zochonis, chairman, says the result reflects a satisfactory improvement in the performance of most major areas of operations. Following completion of the £100m capital expenditure programme in 1984, the results from Nigeria benefited from the first full year's output of the new detergents plant and increased production from both the soap and packaging plants.

Cussons group profits showed an increase, with the UK companies improving their performance and lifting their share of the soap market. In Australia profits were lower, although previous market share gains were maintained. Kenya also did well, benefiting from the first full year's production of the soap factory bought last year.

For the current year Mr Zochonis says most group operations have made a satisfactory start. Subject to Nigeria's allocation of import licences for 1986 and its exchange rae policy, and unforeseen circumstances, profit for the first half should be comparable with the £17.5m earned in the same period of 1985.

The satisfactory performance last year of the Nigerian detergent, soap and packaging plants was made possible by the government's policy of allowing the import of essential raw materials for the manufacture of priority items.

In the stringent economic conditions prevailing in Nigeria it is not surprising, says Mr Zochonis, that other group factories did not receive the same priority and those producing refrigerators, toiletries and confectionery were adversely affected in varying degrees by shortages of raw materials.

The cash position improved largely as a result of prompt payment against shipments to Nigeria and recovery of insured debts relating to previous years. At May 31 bank loans and overdrafts falling within one year had come down from £67.25m to £29.47m. Net assets were £159.95m (£149.59m).

Turnover in the year moved up from £262.64m to £276.56m. The operating profit was £24m (£24.72m) while associates' share jumped from £11.06m to £15.41m and investment income expanded from £5.5m to £9.19m. Interest payable was little changed at £10 (£10.34m).

Tax takes £18m (£14m) and minorities £1.48m (£2m) to leave the attributable profit at £19.09m (£14.94m) earnings per 10p share of 38.61p (29.88p). Last year there were extraordinary credits £719,000.

A deficit of £5.92m (surplus £3.48m) on currency translation has been dealt with through reserves.

● comment

With some 70 per cent of Paterson Zochonis's profits dependent one way or another on what happens in Nigeria an assessment of the shares tends to be a political exercise. This year two large question marks hang over prospects: first, whether a deal with the IMF will bring a devaluation of the naira, and second, how PZ fares in the renewal of its import licences for raw materials. If for the sake of a profits forecast, one assumes no change, a modest increase in the Cussons' operations should outweigh a further decline at Thermocol and deliver around £40m. On a 43 per cent tax charge this has the shares, up a remarkable 17p at 175p, on a prospective p/e ratio of 4. On one view they still look cheap: the rating seems to have taken care of most things that can go wrong and PZ has a track record of showing remarkable resilience in the face of such difficulties. On the other hand the political risks are clear, the shares are unlikely to prove popular in the foreseeable future and there is nothing in the yield.

Sovereign Oil & Gas dividend deferred

THE DIRECTORS of Sovereign Oil & Gas, exploration and production company, says that considering the unstable period which lies ahead for the oil industry, they feel it is prudent to defer making a decision on a first dividend payment until the year end.

For the six months ended June 30 1985 pre-tax profits increased from £7.66m to £8.59m, but directors point out that it is already clear the company will experience lower revenues in the second half of the year, a trend, they say, which will continue if the pound remains strong or oil prices fall.

The directors say that last year the background was one of a stronger and higher oil price. In May they said that, subject to no substantial fall in the oil price, they were proposing to pay the company's first dividend as an interim payment in October.

However, with the change in circumstances, they were waiting until the year end, when the situation will be reviewed in light of the conditions then prevailing.

Turnover for the six months amounted to £32.98m, against £21.41m while gross profits came out at £13.67m (£11m).

After a deferred tax charge of £4.99m (£4.97m) earnings per share are given as 11.09p, compared with 12.5p.

The directors say the company will continue its extensive exploration programme to identify new reserves, and reports success in the Ninth Round of licensees with Block awards in the west of Shetlands, the central North Sea and in the Southern Gas Basin.

The directors feel the move into gas bearing areas is correct as the future price of gas should be more stable than for oil.

The company's reserves also improved with the acquisition of a further interest in the Claymore Field, providing Sovereign with an additional tax shelter for its exploration programme.

Production from Claymore since January averaged 84,500 bopd, of which the company has a 2 per cent interest, netting 1,690 bopd, over the period. The purchase of a further 0.5 per cent of Claymore will be effective from next January.

Production from the Brae Field is averaging 91,000 bopd —the company has a 4 per cent interest—while at Forties the average is 448,000 bopd.

● comment

Sovereign Oil and Gas is clearly signalling that net profits for the year are not going to be much better than £9½m. This is the result of the present £20 a barrel oil price. The average for the first half was £22.30 and for the first half of 1984 a £1 or so more than that. The news on the second half outlook has been enough to depress the share price by 5p to 115p, roughly the net asset value without allowing anything for discoveries. This is a low for the year so far—and as the news on oil is generally bad and the pound does not look likely to collapse the short term prospects are not rosy for the share price. As far as discoveries go, Emerald is marginal and low oil prices could prevent its development. The West of Shetlands gas well has been found to be uncommercial. However, the company is tax efficient with the £20m exploration programme more or less covered by income from Brae, Forties and Claymore. The prospect of a maiden dividend this year is getting less as each analysts' report on the future of oil comes out; as such the possibility of the shares rising seems limited.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Alex Workwear ...... int	2.25	Nov 21	—	—	—
BM Group	0.99‖	Nov 29	0.7	1.65‖	1.1
Edinburgh Inv ...... int	1.3	Dec 3	1.1	**	2.85
H & C .... int	4.5	Dec 9	4.5	—	20
Indl Precision Castgs...	1.44§	—	—	2.06	1.86
Walter Lawrence ... int	1	Jan 2	1*	—	3.42*
Merchants Warehousing	0.9	—	1.2	1.8	1.5
Nelton	0.42†	—	0.78	1.17	1.38
Paterson Zochonis	4.35	Dec 3	3.7	5.9	5.15
Peachey Property	5†	—	4.5	8	7
PSM Intl .... int	2.2	Dec 17	—	—	3.15
Synapse Computer‡ ...	0.75	—	nil	0.75	nil
Time Products¶ ...... int	0.5	Feb 3	0.25	—	1.5
Tyne Tees .... int	3‡	Dec 9	3	—	10.5
Utd Ceramic Dist‡ ... int	1	Dec 16	1	—	3.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Partly to reduce disparity. ‖ For 15 months. ** Total of not less than 3.25p forecast.

BOARD MEETINGS

TODAY

Interims:—Air Call, Asda Property, Biochemicals International, Brewmaker, British Home Stores, Carlton Industries, City of Oxford Investment Trust, Dupont, Fogarty, Hawker Siddeley, Helene of London, House of Lerose, Marshall's Universal, Spirax-Sarco Engineering, Sun Life Assurance Society, United Parcels.

Finals:—Bejam, Eleco.

FUTURE DATES

Interims:—

Barlows	Oct 21
Brent Walker	Oct 25
Clayton, Son	Oct 25
Clive Discount	Oct 23
Dataserv	Oct 31
Marks and Spencer	Oct 29
Polymark International	Oct 25
Transvaal Consolidated Land and Exploration	Oct 30

Finals:—

Baldwin (H. J.)	Oct 22
Bibby (J.)	Nov 12
Fitzwilton	Oct 25
North Sea Assets	Oct 18

UK COMPANY NEWS

Plantations blamed for H & C 23% profit fall

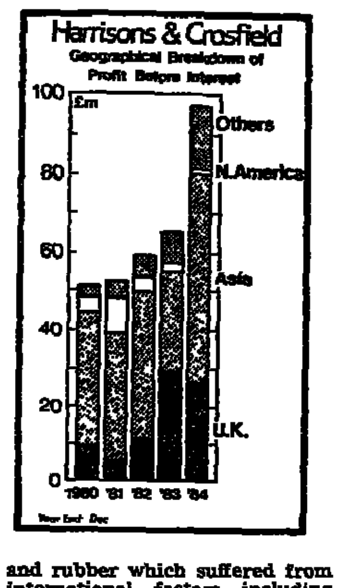
Harrisons & Crosfield suffered a depressed start to the year with taxable earnings for the first six months of 1985 falling by 23 per cent.

Although turnover was ahead by 9.3 per cent from £677m to £740m, pre-tax profits fell to £30.1m, compared with £39.2m.

Following the remarks of Mr Tom Prentice, chairman, at the annual meeting that the year had started slowly, the market was expecting reduced earnings of about £36m. On the announcement the shares dropped by 12p before slipping further to close the day at 330p.

Earnings per £1 share were down from 17.5p to 13.1p, but the interim dividend was maintained at 4.5p. Last year there was a total payment of 20p from pre-tax profits of £83.2m.

The major problems were experienced in the plantations and timber and building supplies divisions.



In plantations operating profits fell from the exceptional levels of £20.9m last year to £13.4m. Directors say that the high standards of field management and operational performance could not offset the significant fall in prices of palm oil and rubber which suffered from international factors including currency fluctuations.

The poor weather made the downturn in UK building activity, which had been seen in the second half of 1984, worse. It resulted in lower off-take, thinner margins and poorer profits, which fell from £6.2m to £3m.

Action has been taken to reduce costs and directors say the benefits are being seen already. In Australia the timber business made a useful contribution.

A breakdown of the other divisions showed operating profits for chemical and industrial of £11.7m (£10.1m), general trading £4.1m (£4.2m), finance £3.7m (same) and a first time contribution of £1.7m from the Pauls agricultural feedstuffs supplier acquired in March.

(£89m) from the share of related

Turnover was split between £655m (£588m) from the parent and subsidiaries, and £85m (£89m) from th eshare of related companies. Operating profit came out at £38.1m (£45.4m) and the pre-tax figure was struck after interest charges up from £6.2m to £8m.

The tax charge was £13.3m (£17.6m) and with minority interest taking an unchanged £200,000 and preference dividends again absorbing £100,000, attributable earnings came out at £16.5m, down by 22.5 per cent from the comparable £21.3m.

See Lex

Tyne Tees profits fall 43%

THE DEPRESSED level of advertising revenue has continued to affect turnover and profits at Tyne Tees Television Holdings.

Pre-tax profits, after the Channel Four subscription, were down 43 per cent to £1.34m for the nine months to June 30 1985, £2.36m for the comparable period.

The company's accounting period has been extended by three months to December 31. Accounts will in future be prepared on a calendar year basis.

An interim dividend of 3p (same) is being recommended.

Sir Ralph Carr-Ellison, chairman, says the decline in advertising revenue appears to have been arrested. Despite the difficult trading conditions, the company's market share is stable and the sales force is making progress towards increasing advertising revenue.

Turnover was down at £35.18m against £35.86m with the Channel Four subscription slightly up at £6.74m against £6.54m. No Exchequer Levy was payable on the profits, against a charge of £2.29m, while tax fell to £632,000 (£1.2m).

Pre-tax profits were calculated after taking into account exceptional costs of £570,000 relating to redundancies and an early retirement scheme.

Directors say real economies have been achieved as a result of this necessary action and these will begin to be reflected in future results.

Earnings per share are stated at 14p against 22.89p.

Panel allows Elders more time

By Martin Dickson

ELDERS IXL, the Australian company trying to mount a consortium bid for Allied-Lyons, the British food and drinks group, has been allowed by the Takeover Panel to delay until next Monday an announcement on whether it intends to proceed with a bid.

Elders had been due to make an announcement by this Thursday, under a six week deadline imposed by the Panel when the Australian company first announced its plans for a consortium bid.

The Panel said yesterday that it had always made clear it would listen to arguments for a delay and it had accepted that there were good reasons to allow Elders an extra two working days. However, it declined to spell out what those reasons were.

The delay drew an angry response from Sir Derrick Holden-Brown, the chairman of Allied-Lyons, who said: "The situation is ludicrous. If Elders could not get their act together in all the time they've had, I wonder just what are the exceptional circumstances for them being given an extra two days." He accused Elders of being 'most unbusinesslike."

Shares in Allied-Lyons fell 5p to 270p yesterday amid growing market speculation that Elders has been finding it difficult to put together a consortium.

Elders has already arranged financial backing to launch a bid for Allied on its own at around 250p a share, but the market believes this is far short of the figure it needs to win.

Charles Batchelor assesses the ERG agreed bid for Telefusion

Breaking into the High Street

THE £23.6m agreed takeover bid, announced yesterday, from Electronic Rentals Group for Telefusion is the latest in a series of mergers within the fragmented television rental industry. It strengthens ERG's position as number three in the £1.15bn business.

It also marks an ambitious attempt by ERG, which up to now has not had a substantial retailing operation, to break into the high street, selling, as opposed to renting, televisions, videos and other consumer electronics items.

Finding the correct formula for retailing electrical goods is not easy, as Telefusion's 12-month-old experiment with the Connect formula shows.

In September 1984, Telefusion announced it was merging its television and video business with its Trident discount stores, which sell washing machines, refrigerators and other household appliances, under the Connect label to strengthen its high street presence.

Mr Stuart Hickey, Telefusion managing director, acknowledged that it had taken longer than planned to convert the stores to the new image.

It also proved more difficult than the company first thought to mix retailing of white and brown goods with the rental business in the same store. Too small a store and the retail range was too limited. Too large a store and the rental side tended to be overlooked by the customer.

Telefusion originally hoped that Connect would add 50 per cent to its retail turover in the year ended April 1985. In the event total turnover fell by almost £10m to £90m and with pre-tax profits dropping from

Mr James T. Griffiths, chairman of Electronic Rentals

£2.79m to £423,000.

This reduced the funds available to carry out th estore conversion programme. With Mr John Wilkinson, Telefusion chairman, and his family owning 54 per cent of Telefusion's equity, any move to raise outside capital would have diluted the family holding, probably below the controlling 5 1per cent level.

Despite these problems Telefusion had opened about 15 of the new Connect stores, announced plans to open a further 15 by March 1986 and identified 20 more sites where conversion to the Connect formula made sense.

Mr David Hurley, managing director of ERG said: "This gives us a chain of 50 retail branches, well-sited and with

MAJOR RENTAL COMPANIES

Number of Machines (000's)	
Thorn EMI	3,770
Granada*	2,346
Electronic Rentals†	1,445
Co-op	450
Wigfall	250
Telefusion	250
Telebank (STC)	130
Total	8,641

1984 figures. * Includes Rediffusion 1,116. † Includes Carousel 210.

Source: Company accounts and trade estimates

television rental agreements which ensure that cash comes through the doors. The management team we have been building over the past six months will ave a two-year start."

The deal will also create a service operation carrying out work for third parties, such as local electricity boards and Boots, with an annual turnover of £4m a year. ERG will bring in £1m worth of business and Telefusion £3m.

ERG initially intends to retain the expensively-created Connect logo and will confine to retailing brown goods. Its plans leave no role for 150 of Telefusion's stores, and closures and redundancies will be necessary but no decision has yet been taken on the numbers involved, Mr Hurley said.

Telefusion will bring ERG about 13,000 rental contracts in addition to the 1.5m it already has, and confirm its position as the third largest group in the sector after Thorn EMI and Granada Group.

Television rental has been regarded for some years as a market in decline. Increasingly competitive retail prices, improved reliability and the introduction of service insurance schemes have all reduced demand for rented sets.

The total number of rental subscribers is falling at a rate of 5 per cent a year, from 11.75m in 1978 to only 8.9m now, stockbrokers Fielding Newson-Smith said in a recent review.

Despite this image of an industry under pressure television rental has remained extremely profitable, generating large volumes of cash. Rental turnover is forecast to be at least £1bn (at 1985 prices) by 1990. With up to 40 per cent of the market held by smaller operators there should be scope for the big groups to expand.

The past two years have seen the big groups get bigger by means of acquisitions. BET, formerly British Electric Traction, the services group, sold the television rental operations of its Rediffusion offshoot to Granada Group for £120m in May 1984. Even a rental base of 1.1m sets was not large enough to justify staying in the business, BET argued.

ERG itself paid £28m last March for the Carousel Colour-hire rnetal business acquired by Dixons when it took over Currys at the end of 1984. Carousel brought ERG an extra 210,000 rental contracts.

COMPANY NEWS IN BRIEF

WEST BROMWICH SPRING incurred a pre-tax loss of £26,053 for the first half of 1985, against a £5,000 profit last time. Turnover was £2.14m (£1.97m) and operating loss came to £29,497 (£29,161 profit). Interest took 30,123 (£24,161), but there was exceptional income of £33,567 this time being the surplus arising on the sale of freehold land and building. Loss per 10p share was 1.1p (0.53p). There is again no dividend.

BARCLAYS BANK plans to set up a wholly-owned subsidiary in Switzerland, at the same time selling its 64 per cent stake in Barclays Bank (Suisse), a Swiss investment bank, to the minority shareholders.

HILLSDOWN HOLDINGS' subsidiary, to be known as Farm Kitchen Foods, has acquired from Eastern Counties Farmers the fixed assets of the St Edmunds Bacon Factory at Elmswell for £2.4m, and the trading stock of the business at valuation.

EDINBURGH INVESTMENT Trust had a net asset value of 144.6p per share at September 30 1985 after deduction of prior charges at book value, compared with 145.6p a year earlier. Net revenue for the half year amounted to £5.21m (£4.12m). A 1.3p (1.1p) interim dividend is being paid and the directors forecast a total dividend of at least 3.25p (2.85p).

TIPHOOK has acquired for £1.39m cash, Grampian Containers. The company was 75 per cent owned by Moores of Carnforth, the remaining 25 per cent having been held by the directors of Grampian and their families. For the year ended June 30 1985 taxable profits of Grampian were £15,257 on turnover of £1.16m.

MANCHESTER SHIP CANAL: Highams have purchased a further 220,000 ordinary shares of company bringing holding to 743,000.

PREMIER CONSOLIDATED Oilfields has made an offer for Rocky Mountains Oil and Gas on the basis of seven shares for every six in Rocky. In addition, Rocky holders will receive Royalty units which carry a royalty of 2 per cent on oil and gas production from the Rocky properties, rising to 3 per cent on production over 10,000 barrels of oil equivalent per day. Rocky directors recommend the bid. Main assets of Rocky are a spread of hydrocarbon leases over 108,000 net acres in the western U.S. and net current assets of £1m.

CONSOLIDATED VENTURE Trust's net revenue increased from £41,500 to £71,000 for the six months to end-July 1985. Net assets per 10p share were 124p against 137⅝p, with the decline due to the weakness of the U.S. dollar, the directors say.

MK ELECTRIC now owns, or has received acceptances, in respect of 4.81m Friedland Doggart shares, or 91.86 per cent, following a total of acceptances by October 14 of 4.43m shares. The offer is unconditional in all respects.

UK COMPANY NEWS

Time recovery continues with surge at midway

Time Products, watch and clock maker and retail jeweller, has continued to recover and has pushed the taxable figure from £75,000 to £658,000 for the six months ended July 31 1985.

Mr Richard Langdon, chairman, says that forward order levels are strong and, subject to satisfactory Christmas trading, looks forward with confidence to much improved profits for the full year.

Compared with losses of £3.88m for 1982-83, the group climbed back to £2.7m profits the following year, and £3.1m for the 1984-85 period.

Turnover for the six months expanded from £19.79m to £24.6m and with trading profits of £1.18m (£866,000), these were split between the UK with turnover of £16.5m (£12.15m) and trading profits of £55,000 (£233,000 loss), and Hong Kong £8.1m (£7.64m) and £1.12m (£1.1m).

The pre-tax figure was after net finance costs, down from £791,000 to £520,000, which included income of £21,000 (£111,000) in the UK.

There was again no tax, or extraordinary items for the period. Earnings per 10p share are given as 1.33p (0.15p) and while the interim dividend is doubled to 0.3p it is partly to reduce disparity—last year's final payment was 1.25p.

The chairman says the UK figures are encouraging with progress recorded in all divisions. He explains that the reduction in finance income reflects the acquisition cost of the House of Lipkin.

In Hong Kong, Remex continues to perform well. Interest costs have fallen significantly with the decline in interest rates in Hong Kong and the reduction in the company's borrowings, Mr Langdon points out.

Lipkin's results were included for the six months of the current year, although there was no contribution made to trading profits.

● comment

The Time Products story can be told in brief. After translation Remex stood still but the Hong Kong interest bill was almost halved. In the UK, three-quarters of the sales increase came from the House of Lipkin acquisition but this produced no trading profit—nor will it contribute anything for the year after finance charges. Given the heavy Christmas orientation of the jewellery/watch business not to have made a loss in the first half is obviously a boon. Rationalisation and cost cutting will achieve something but it will not get UK trading margins (6.2 per cent for last year) up to anything like those achieved in Hong Kong (14 to 15 per cent). For the year £4m pre-tax should be possible. This has the shares at 58p on a prospective multiple of 9, with a 20 per cent tax charge. Rerating will only come when Time sorts out its brand merchandising from its sub-£25 fashion market. News on this is promised soon. Time is lunching with Dunhill today.

Profits drop at Walter Lawrence

FIRST HALF 1985 profits from Walter Lawrence, the industrial holding company, have fallen from £875,000 to £805,000, but the directors are confident that results for the current term will demonstrate the group's ability to maintain progress.

Turnover for the half year was also lower, at £55.17m against £55.34m. The construction activities were badly disrupted by the severe winter; housing development has continued its strong performance and "very satisfactory" results are expected this year.

The door manufacturing company has been shut down because of unacceptable losses, and the extraordinary costs will be brought into the full year's accounts.

No provision has been made in the six months for any allocation to staff profit sharing.

Tax forthe period comes to only £86,000 (£84,000), as no provision for mainstream corporation tax is considered necessary in view of anticipated reliefs available together with tax losses brought forward.

Enlarged BM Group advances to £1.4m

FOLLOWING a period of major expansion BM Group, formerly Braham Millar Group, reported earnings per 10p share up at 6.4p for the 15 months to the end of June, compared with 2.9p for the year to March 31, 1984.

The group's activities were significantly enlarged by the merger with the three engineering subsidiaries of C. H. Beazer, which holds 86 per cent of the BM equity, and the acquisition of Goodwin Barsby and the business of Fyne Machinery.

The enlarged group achieved a pre-tax profit of £1.4m (£599,000) on turnover of £29.06m (£9.7m). A final payment of 0.99p has been recommended making the total 1.65p. In the previous 12 months there were two interim payments, totalling 1.1p.

The directors say that the traditional Braham Millar companies, based at Enfield, Middlesex, and Bishop's Stortford, Hertfordshire, worked at a full capacity. The foundry showed a marked improvement and Saltney Engineering, the agricultural division made an excellent contribution.

There was also a useful contribution from Fyne Machinery and a creditable contribution from Goodwin Barsby.

Operating profit came out at £1.13m (£401,000) and the pre-tax figure was struck after net interest received of £273,000 (£158,000). The tax charge was £501,000 (£200,000).

The markets in which the group operates are highly competitive, the directors say, but they are satisfied that with the company's reputation and financial strength it is well placed to take advantage of trading opportunities.

They look forward to the future with great confidence.

Downturn at Medminster

A SECOND HALF downturn in profits left Medminster, the furniture hire and shipping group, with lower pre-tax figures of £465,495 for the year ended June 30 1985, compared with £492,475 previously. Interim profits were up from £179,000 to £241,000.

The dividend total however, is raised from 4.85p to 5.35p net with an increased final of 3.4p.

After corporation and current deferred tax of £162,709 (£235,663) and an exceptional deferred tax credit last time of £133,500, attributable profits dropped from £390,312 to £302,795. Earnings per 10p share were 15.14p, against 19.52p including the deferred tax credit or 12.84p excluding it.

Mr John Delaney, the chairman, says that in a short time, Camden Furniture Hire has achieved a considerable increase in turnover at the new premises at White City, London. This division has been operational since the second half, but real profits have not yet shown through although prospects are excellent.

The group has spent in excess of £800,000 on capital items, which is reflected in a larger depreciation charge of £210,000 (£156,000). The bulk of purchases have been made in setting up the new warehouse at White City, plus transport and furniture stocks.

The bulk of increased furniture hire turnover has come from the Northern company, Gimberts, and Camden Furniture Hire. This trend is expected to continue, adding to the higher turnover and profitability of the new venture at White City.

The shipping division had a lower turnover, but this did not affect profits and was planned as part of the company's commercial strategy.

Ramus falls to £0.62m

AS FORECAST by Mr E. J. Ramus, chairman, in March, pre-tax profits at Ramus Holdings for the 53 weeks to July 8 1985, have not measured up to the previous year's figures. Profits were down from £687,000 to £619,000 on turnover up from £23.81m to £27.77m.

Sales in the September quarter of this ceramic tile distributor have again shown an appreciable increase against the prevous year, and providing the company does not experience exceptional external factors as in 1984-85, Mr Ramus views the current year with confidence.

Due to a reduction in the company's level of capital expenditure and to charges consequent on the Finance Act 1984, the tax charge is heavy—up from £56,000 to £327,000—and stated earnings per 25p share have fallen from 14.2p to 6.6p.

The final dividend is unchanged at 3.75p for a same-again total of 5.25p—the company's shares are traded on the USM.

Commenting on the year's figures, Mr Ramus says foreign exchange dealings for the company's substantial import requirements were particularly problematical. The figures furthermore, are stated after a fairly substantial bad debt provision and reflect a continuing decline in furniture sales as that market changes.

The company's ceramic tiles sales have again out-performed the national trend. Vinyl flooring turnover advanced well and has been supplemented in recent months by fibre-bonded carpet products from Burmatex.

Yearling bonds

The interest rate for this week's issue of local authority bonds is 11 1/16 per cent, up 1/16 of a pecentage point from last week, and compares with 10 3/4 per cent a year ago. The bonds are issued at par and are redeemable on October 22 1986.

A full list of issues will be published in tomorrow's edition.

Alexandra up 58% midterm

Steady growth at Alexandra Workwear, manufacturer and supplier of workwear, has resulted in a 58 per cent expansion in pre-tax profits for the 28 weeks ended August 10 1985.

On turnover up 23 per cent to £13.74m (£11.14m) profits came out at £1.51m, compared with £955,000 previously.

Mr Granville Davis, chairman, says that growth, since the January flotation, was "very much in line with budget."

The benefits of the company's investment policy continue to contribute to profit through productivity, systems and efficiency, and the chairman adds that the planned expansion of production facilities in Scotland will enable the group to support sales growth.

After tax of £604,000 (£363,000) earnings per 10p share are given as 8.2p (6.6p). The interim dividend is 2.25p which represents a 29 per cent increase on the payment indicated in January.

LADBROKE INDEX
1,023-1,027 (−4)
Based on FT Index
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U.S. restricts PSM growth

Volume cutbacks in the U.S. computer industry and unfavourable exchange rate movements have held back PSM International in the half year ended June 30 1985. However, the group has shown a "satisfactory" increase in pre-tax profit—from £1.11m to £1.26m—which illustrates its strength and resilience, says the chairman Mr J. M. Tildesley.

The group's shares were offered for sale a year ago. It manufactures and sells industrial fastener systems and is forecasting a modest improvement in pre-tax profits for the year 1985 over the previous £2.55m.

Turnover moved up from £6.8m to £7.7m. After tax £529,000 (£484,000) and minorities £6,000 (£5,000) net earnings are shown at 6.1p (6.2p) per share. The interim dividend is 2.2p net at a cost of £118,000 after a waiver by the chairman of £148,500.

Expansion in overseas markets continues and Mr Tildesley expects to finalise negotiations soon for the establishment of joint ventures in Australia, Sweden and Japan. Significant capital expenditure continues with a budget this year of £2.2m. Enlarged premises have been purchased in New Jersey

(f) Application will be made to the Council of The Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of subscription rights to be admitted to the Official List, and the Company will use all reasonable endeavours to obtain the grant thereof not later than 14 days after the relevant subscription date.

(g) Within 7 days following the final subscription date the Company shall appoint a trustee who shall, within 14 days following that date, provided that in the opinion of the trustee the net proceeds of any sale will exceed the aggregate subscription price, exercise such subscription rights as have not been exercised and sell the Ordinary Shares acquired on such subscription and, within two calendar months of the final subscription date, distribute the net proceeds less such subscription price *pro rata* to the persons entitled thereto, provided that entitlements of under £2 shall be retained for the benefit of the Company.

2. Adjustment of Subscription Rights

(a) If on a date (or by reference to a record date) on or before the final subscription date the Company shall allot any fully paid Ordinary Shares by way of capitalisation of profits or reserves or effect any sub-division or consolidation and division of its ordinary share capital, the number and/or nominal value of the Ordinary Shares to be subscribed on any subsequent exercise of the subscription rights will as from such date (or record date) be increased or, as the case may be, reduced in due proportion and the subscription price will be adjusted accordingly. On any such capitalisation, sub-division or consolidation and division, the auditors for the time being of the Company shall certify the appropriate adjustments and, within 28 days thereof, notice will be sent to each holder of a Warrant together with a Warrant in respect of any additional shares for which that holder is entitled to subscribe in consequence of such adjustments, fractional entitlements being ignored.

(b) If on a date (or by reference to a record date) on or before the final subscription date the Company makes any offer or invitation (whether by rights issue or otherwise but not being an offer to which paragraph 3(f) below applies) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3(g) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then holders of the Warrants as if their subscription rights had been exercisable and had been exercised on the day immediately preceding the date (or record date) of such offer or invitation on the terms (subject to any adjustment pursuant to paragraph 2(a) above) on which the same could have been exercised on the last preceding subscription date.

3. Other Provisions

So long as any subscription rights remain exercisable:

(a) the Company shall not (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares, (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares or (iii) on or by reference to a record date falling within the period of six weeks ending on any subscription date make any such offer or invitation as is referred to in paragraph 2(b) above;

(b) the Company shall not in any way modify the rights attached to its existing Ordinary Shares as a class, or create any new class of equity share capital except for shares which carry as compared with the existing Ordinary Shares no greater rights as regards voting, dividend or capital;

(c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves if as a result the Company would on any subsequent exercise of the subscription rights be obliged to issue Ordinary Shares at a discount;

(d) except with the sanction of an extraordinary resolution of the holders of the Warrants, the Company shall not effect any reduction of share capital involving repayment of capital or any reduction of uncalled liability in respect of its share capital or (except as authorised by Sections 130(2), 160(2) and 170(4) of the Companies Act 1985 (as originally enacted or any statutory modification or re-enactment thereof)) effect any reduction of any share premium account or capital redemption reserve involving repayment;

(e) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable;

(f) if at any time an offer or invitation is made by the Company to the holders of the Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to the registered holders of Warrants, and each such holder shall be entitled, at any time while such offer or invitation is open for acceptance, to exercise his subscription rights on the terms on which the same could have been exercised on the last preceding subscription date (subject to any adjustment pursuant to paragraph 2(a) above) so as to take effect as if he had exercised his rights immediately prior to the date (or record date) of such offer or invitation;

(g) if at any time an offer is made to all Ordinary shareholders of the Company (or all such shareholders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Company shall give notice of such vesting to the holders of the Warrants within 14 days of its becoming so aware, and each such holder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his subscription rights on the terms (subject to any adjustment pursuant to paragraph 2(a) above) on which the same could have been exercised on the last preceding subscription date;

(h) if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the holders of the Warrants), each holder of a Warrant will (if in such winding up there shall be a surplus available for distribution in respect of each Ordinary Share which, assuming the full exercise of all outstanding subscription rights, exceeds the subscription price) be treated as if immediately before the date of such order or resolution his subscription rights had been exercisable and had been exercised in full on the terms (subject to any adjustment pursuant to paragraph 2(a) above) on which the same could have been exercised on the last preceding subscription date, and shall accordingly be entitled to receive out of the assets available in the liquidation such a sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per share equal to the subscription price; subject to the foregoing all subscription rights shall lapse on liquidation of the Company;

(i) the Company shall not grant (or agree to grant) any option in respect of or create any rights of subscription for any Ordinary Shares the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of subscription (other than the subscription rights conferred by the Warrants) shall be subsisting at the date of such grant or creation, would exceed in the aggregate 10 per cent of the nominal amount of the Ordinary Shares then in issue, nor (except with the sanction of an extraordinary resolution of the holders of the outstanding Warrants) will the Company grant (or agree to grant) any option in respect of or create any rights of subscription for, or issue any loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the subscription price for the time being; and

(j) the Company shall not change its financial year-end from 31 December without giving to the holders of the Warrants at least two calendar months' written notice thereof and of the new date to be substituted for 30 April in paragraph 1(a) above.

4. Modification of Rights

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution of the holders of the outstanding Warrants.

5. Purchase

The Company and its subsidiaries shall have the right to purchase Warrants in the market or by tender available to all holders of the Warrants alike at any price or by private treaty at a price not more than 10 per cent in excess of the middle market quotation for the Warrants on the previous dealing day. All Warrants so purchased shall forthwith be cancelled and shall not be available for reissue or resale.

6. Transfer

Each Warrant will be registered and will be transferable in whole or in part by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors, except that no transfer of a right to subscribe for a fraction of an Ordinary Share may be effected.

7. General

(a) The Company will, concurrently with the issue of the same to its Ordinary shareholders, send to each registered holder of a Warrant (or in the case of joint holders to the first-named) a copy of each published Annual Report and Accounts of the Company, together with all documents required by law to be annexed thereto, and copies of every statement, notice or circular issued to Ordinary shareholders.

(b) For the purpose of these Particulars, 'business day' means a day (excluding Saturday) on which banks in Scotland are open for business and 'extraordinary resolution' means a resolution proposed at a meeting of the holders of the Warrants duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.

(c) If any of the events referred to in paragraphs 2(b), 3(f), 3(g) and 3(h) above shall occur prior to the first subscription date, the paragraph concerned shall be read and construed in relation to that event as if the words 'first subscription date' were substituted for the words 'last preceding subscription date'.

(d) All the provisions of the Articles of Association for the time being of the Company as to instruments of transfer, transfer books, the register and general meetings shall *mutatis mutandis* apply as though the Warrants were a class of shares forming part of the capital of the Company but so that (a) the necessary quorum shall be the holders (present in person or by proxy) entitled to acquire one-third in nominal amount of the Ordinary Shares in respect of which subscription rights remain exercisable, (b) every holder of a Warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy shall be entitled on a poll to one vote for every Ordinary Share for which he is entitled to subscribe, (c) any holder of a Warrant present in person or by proxy may demand or join in demanding a poll, and (d) if at any adjourned meeting a quorum as above defined is not present, those holders of Warrants who are then present in person or by proxy shall be a quorum.

APPENDIX II

GENERAL INFORMATION

1. History and Share Capital

(a) The Company was incorporated in Scotland under the Companies Act 1985 on 12 September 1985 (registered number 95069) as a public company limited by shares with an authorised share capital of £10,800,000 divided into 14,400,000 Ordinary Shares of 75p each, of which ten were agreed to be taken by the subscribers of the Memorandum of Association and are included in the Offer for Sale.

(b) The Company has not carried on business or incurred borrowings pending the issue by the Registrar of Companies of a certificate under Section 117 of the Companies Act 1985.

(c) The issue of the securities now being offered was authorised by the Company in General Meeting on 11 October 1985. On or about 23 October 1985, the Directors or a Committee thereof will by resolution conditionally allot 11,999,990 Ordinary Shares (with Warrants attached) to Phillips & Drew and Bell, Lawrie, Macgregor & Co. pursuant to the provisions of the Offer for Sale Agreement referred to in Section 3 below.

(d) Subject to any special rights or restrictions attaching to any shares or any class of shares issued by the Company in the future, the holders of fully paid Ordinary Shares are entitled *pari passu* amongst themselves, but in proportion to the number of Ordinary Shares held by them, to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of the liquidation of the Company.

(e) (i) Save as disclosed in this Section 1, no share or loan capital of the Company has been issued for cash or for a consideration other than cash and no such capital of the Company is now proposed to be issued.

(ii) Save as disclosed in Sections 3 and 4 below, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital.

(iii) Save for the Warrants, no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

2. Indebtedness

Save as disclosed in Section 4 below, the Company has no loan capital (including term loans) outstanding, or created but unissued, and no outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.

3. Offer for Sale Arrangements

Under an agreement ("the Offer for Sale Agreement") dated 11 October 1985 between (i) the Company, (ii) Ivory & Sime, (iii) Phillips & Drew ("P & D") and (iv) Bell, Lawrie, Macgregor & Co. ("BLM"), P & D and BLM have jointly and severally agreed, conditionally on *inter alia* the admission to the Official List of The Stock Exchange not later than 1 November 1985 of all the Ordinary Shares of the Company (with Warrants attached), to subscribe for 11,999,990 Ordinary Shares at a price of 98.2p per share of which 48.2p will be payable to the Company immediately prior to the completion of the Offer for Sale. P & D and BLM will offer all such shares, together with the ten Ordinary Shares purchased from the subscribers, for sale at 100p per share ('the Offer for Sale Price'), 50p per share being payable on application and the balance of 50p per share being payable to the Company on 15 April 1986. P & D and BLM will pay underwriting commissions at rates of up to 1¼ per cent of the Offer for Sale Price (plus value added tax), and their own legal and out-of-pocket expenses.

Under the Offer for Sale Agreement, warranties and indemnities have been given to P & D and BLM by the Company and Ivory & Sime. The Offer for Sale Agreement also contains provisions which permit it to be terminated by P & D and BLM, prior to the announcement of the basis of allocation, in the event of a material breach of any of the warranties given to P & D and BLM or, by P & D and BLM or by the Company, if P & D and BLM or the Company determine that, by reason of a material adverse change in market conditions, the Offer for Sale should not proceed.

4. Expenses and Application of Net Proceeds

The Company will pay its preliminary expenses of £500 and also the expenses of and incidental to the Offer for Sale including all accountancy and its own legal expenses, capital duty, The Stock Exchange listing fee, the costs of printing, advertising and distributing this document and the fees and expenses of the Receiving Bankers and the Registrars and brokerage of ½ per cent where applicable (see 'Procedure for Application' below). The aggregate costs and expenses payable by the Company (including value added tax where applicable) are estimated to be £500,000. After meeting these expenses, the net proceeds of the issue of 12,000,000 Ordinary Shares (with Warrants attached), which will be available to the Company for investment, are estimated to amount to approximately £11,500,000.

5. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal objects are to carry on the business of an Investment Trust Company or Investment Company in all its branches. The objects of the Company are set out in full in Clause IV of the Memorandum of Association which is available for inspection at the addresses specified in Section 10 below.

The Articles of Association of the Company contain *inter alia* provisions to the following effect:

Directors

(a) A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at General Meetings.

(b) The Directors of the Company shall be paid such remuneration for their services as may be determined by the Board save that unless otherwise approved by the Company in general meeting the aggregate amount of such remuneration shall not exceed £50,000 per annum. Such remuneration shall be deemed to accrue from day to day. The Directors are also entitled to be paid all travelling, hotel and incidental expenses properly incurred by them in connection with the business of the Company. Any Director appointed to an executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs special services may be paid such extra remuneration as the Directors may determine.

(c) At the first Annual General Meeting of the Company all the Directors shall retire from office and at each Annual General Meeting thereafter so long as the Board consists of no more than five, one of their number shall retire from office, and if the Board exceeds five then one-third of all the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to one-third but not exceeding one-third shall retire from office.

(d) The Board may pay and agree to pay pensions or other retirement, superannuation, death or disability benefits or allowances to, or to any person in respect of, any Director or former Director who may have held any executive office or employment under the Company or any subsidiary of the Company or its holding company (if any) and for the purpose of providing any such pensions or other benefits or allowances may contribute to any scheme or fund and may make payments towards insurances or trusts in respect of such persons.

(e) The provisions of Section 293 of the Companies Act 1985 concerning the retirement of Directors attaining the age of 70 shall apply to the Company.

(f) A Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. These restrictions are subject to limited exceptions set out in the Articles of Association and the Company may by Ordinary Resolution suspend or relax the restrictions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

Borrowing Limits

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to subsidiary companies (if any) so as to secure (as regards subsidiary companies so far as by such exercise they can secure) that the aggregate amount of all moneys borrowed by the Group (exclusive of intra-Group borrowings) shall not (without the sanction of an Ordinary Resolution of the Company) exceed at the time of borrowing an amount equal to the aggregate of two times (i) the amount paid up on the capital of the Company and (ii) the amount standing to the credit of the capital and revenue reserves of the Company and its subsidiaries (calculated in accordance with the Articles of Association) or, until such time as the first accounts of the Company shall be made up and audited, £10,000,000.

Votes of Members

On a show of hands, every member who is present in person and entitled to vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for each share held by him.

Dividends

Appreciations of capital assets or realised profits resulting from sales of capital assets or any other moneys in the nature of accretion to capital shall not be treated as profits available for dividend.

Alteration of Capital

The Company may, from time to time, by Ordinary Resolution:

(a) increase the capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;

(b) consolidate and divide the shares, or any of them, into shares of larger amount;

(c) sub-divide the shares, or any of them, into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage as regards dividend, capital, voting or otherwise as compared with the others;

(d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of the authorised capital by the amount of the shares so cancelled.

The Company may, from time to time, by Special Resolution reduce the capital, any share premium account and any capital redemption reserve in any manner authorised by law.

Variation of Rights

The special rights attached to any class of shares for the time being in issue may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate General Meeting of the holders of the shares of the class.

Transfer of Shares

Every transfer of shares must be in writing in any usual or common form (or in any other form approved by the Directors) and must be left at the place where the Register of Members is situate for the time being. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, in the case of a transfer of a partly paid share, by the transferee. The Articles contain no restrictions on the free transferability of Ordinary Shares (whether or not fully paid).

Unclaimed Dividends

Any dividend unclaimed after a period of twelve years from its date of declaration shall be forfeited and shall revert to the Company.

6. Directors' and Other Interests

(a) The Directors, including their immediate families, will make firm applications for the number of Ordinary Shares set out against their respective names:

Name of Director	Ordinary Shares of 75p each (with Warrants attached) Beneficial	Non-Beneficial
D. A. O. Edward	4,500	500
Baron E. Coppée	1,000	—
P. M. Guerin	1,000	—
I. A. Watt	—	—

(b) Immediately following this issue it is expected that the under-mentioned persons will hold five per cent or more of the issued share capital of the Company arising from acceptance of firm applications:

Name	Ordinary Shares of 75p each (with Warrants attached)	
European Assets Trust N.V.	3,000,000	25.0%
Bank of Scotland 1976 Pension Scheme	1,000,000	8.3%
A.G. de 1824 Compagnie Belge d'Assurance Générale Vie	1,000,000	8.3%

(c) There are no service contracts in existence between the Company and any of its Directors nor are any such contracts proposed.

(d) No Director has any interest, direct or indirect, in the promotion of or any assets which have been or are proposed to be acquired or disposed of by or leased to the Company.

(e) No Director is materially interested in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Company.

(f) It is estimated that the aggregate emoluments of the Directors for the period ending 31 December 1986 will not exceed £20,000.

7. Taxation of Dividends and Distributions

Under current United Kingdom tax legislation, no withholding tax will be deducted from dividends paid by the Company. The Company is required to make an advance payment of corporation tax (ACT) when a dividend is paid, being a payment calculated by reference to the basic rate of income tax. The current ACT rate is 3/7ths of the dividend paid. Consequently, the ACT relating to any dividend currently equals 30% of the total of the cash dividend together with the ACT.

A United Kingdom resident individual shareholder has, imputed to the cash dividend received, a tax credit which is equal to the amount of ACT paid by the Company in respect of the dividend. An individual shareholder so resident will be liable to United Kingdom income tax on the total of the cash dividend received and the related tax credit. The tax credit is then set against the individual's overall income tax liability and may be repaid if his total tax credits exceed the overall tax liability.

A United Kingdom resident corporate shareholder will not be liable to United Kingdom corporation tax on any dividend received.

Shareholders in the Company who are not resident in the United Kingdom may be entitled to a payment from the Inland Revenue of a proportion of the tax credit relating to their dividends, but such entitlement will depend, in general, upon the provisions of any double taxation agreement or convention which exists between the United Kingdom and their country of residence. Non-United Kingdom resident shareholders may also be subject to foreign taxation on dividend income in their country of residence. Any person who is not resident in the United Kingdom should consult his own tax adviser on the question of the double taxation provisions applying between his country of residence and the United Kingdom.

8. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are or may be material:

(a) Dated 11 October 1985 between the Company, Ivory & Sime, Phillips & Drew and Bell, Lawrie, Macgregor & Co., being the aforementioned Offer for Sale Agreement.

(b) Dated 11 October 1985, being a Management Agreement between the Company and Ivory & Sime whereby Ivory & Sime have agreed to act as Investment Managers to the Company (subject to termination by not less than three years' notice by either party) for a quarterly fee payable in advance equal to 0.25 per cent of the value of ordinary shareholders' funds of the Company (as defined therein) excluding *inter alia* the value of the Company's investment (if any) in companies managed or advised by Ivory & Sime.

9. General

(a) The Company has no subsidiaries.

(b) Ivory & Sime are the promoters of the Company. Save as disclosed in Section 8 above no amount or benefit has been paid or given to the promoters and none is intended to be paid or given.

(c) The Company is not engaged in any litigation or arbitration and no litigation or claim is known to the Directors to be pending or threatened against the Company.

(d) Arthur Young have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their report set out above in the form and context in which it is included.

(e) This document and all applications and contracts resulting therefrom shall be construed and receive effect according to the Law of Scotland.

10. Documents for Inspection

Copies of the following documents will be available for inspection at the offices of Clifford-Turner, Blackfriars House, 19 New Bridge Street, London EC4V 6BY and Shepherd & Wedderburn WS, 16 Charlotte Square, Edinburgh EH2 4YS, during normal business hours on any weekday (excluding Saturdays and public holidays) until 29 October 1985:

(a) the Memorandum and Articles of Association of the Company;

(b) the report of Arthur Young, and their written consent referred to above; and

(c) the contracts specified under 'Material Contracts' above.

Dated 15 October 1985

Procedure for Application

All applications for the Ordinary Shares (with Warrants attached) now being offered must be for a minimum of 100 shares and thereafter in multiples of 100 shares. Each application must be made on the application form provided and be accompanied by a cheque or banker's draft for the full amount payable on application (50p per share) and be forwarded to either Bank of Scotland, New Issue Department, 26A York Place, Edinburgh EH1 3EY or Bank of Scotland, New Issue Department, 3rd Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL so as to arrive not later than 10 a.m. on Tuesday 22 October 1985. Cheques and banker's drafts must be drawn in sterling on a branch in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for the members of those Clearing Houses, must bear the appropriate sorting code number in the top right-hand corner, and must be made payable to 'Bank of Scotland' and be crossed 'Not Negotiable'.

A commission of ½ per cent (plus VAT) will be paid by the Company to recognised banks and stockbrokers on applications (to the extent that they are accepted) bearing their stamp and value added tax registration number (if applicable). This commission will not, however, be paid in respect of allocations which arise out of an underwriting commitment or allocations made to persons who have indicated to Phillips & Drew or Bell, Lawrie, Macgregor & Co. their intention to apply for shares, to the extent that they so apply.

Acceptance of applications will be conditional on the Council of The Stock Exchange admitting the Ordinary Shares (with Warrants attached) now being issued to the Official List not later than 1 November 1985. Moneys paid in respect of applications will be returned if such admission is not granted by that date and in the meantime will be retained by Bank of Scotland in a separate account.

All cheques are liable to be presented for payment on receipt and the Company reserves the right to retain letters of acceptance and any surplus application moneys pending clearance of applicants' cheques. The right is reserved to reject any application or to accept any application in part only and in particular to reject multiple or suspected multiple applications. The right is also reserved to treat as valid any applications which do not fully comply with the conditions set out in the application form. If any application is not accepted, the amount paid on application will be returned in full and, if any application is accepted for fewer Ordinary Shares than the number applied for, the balance of the amount paid on application will be returned, in each case, by cheque through the post at the applicant's risk.

It is expected that partly paid renounceable Letters of Acceptance in respect of Ordinary Shares (with Warrants attached) will be sent by post on Monday 28 October 1985 to successful applicants at their risk and that dealings will commence on the following day. Dealings on Letters of Acceptance until Wednesday 4 December 1985 (the latest practicable date before the last date for registration of renunciation) will be in multiples of five Ordinary Shares (carrying the right to receive one Warrant). The last date for registration of renunciation is Friday 6 December 1985; the Warrants will thereafter be registered. Pending the issue of partly paid share certificates and Warrants, instruments of transfer of Ordinary Shares and of subscription rights will be certified against the relevant register. Partly paid share certificates and Warrants will be despatched on Wednesday, 8 January 1986.

The second instalment of 50p on the Ordinary Shares must be paid to the Company not later than 3 p.m. on 15 April 1986. Failure to make payment of the second instalment by that time will render the previous payment and the shares liable to forfeiture. If late payment of the final instalment is accepted, interest may be charged on a day-to-day basis on the overdue amount at a rate equal to Bank of Scotland Base Rate plus three per cent per annum.

Copies of this document with application forms may be obtained from:

IVORY & SIME plc
One Charlotte Square, Edinburgh EH2 4DZ

PHILLIPS & DREW
120 Moorgate, London EC2M 6XP

BELL, LAWRIE, MACGREGOR & CO.
Erskine House, 68 Queen Street, Edinburgh EH2 4AE

BANK OF SCOTLAND
26A York Place, Edinburgh EH1 3EY
Broad Street House, 55 Old Broad Street, London EC2P 2HL
110 St Vincent Street, Glasgow G2 5EJ

Application Form

The Application List for the Ordinary Shares (with Warrants attached) now offered for sale will open at 10.00 a.m. on Tuesday, 22 October 1985 and may be closed at any time thereafter.

This Application Form, when completed, must be lodged with or posted to Bank of Scotland, New Issue Department, at either 26A York Place, Edinburgh EH1 3EY or 3rd Floor, Broad Street House, 55 Old Broad Street, London EC2P 2HL together with a cheque or banker's draft representing the full amount payable on application (50p per share) so as to be received not later than 10.00 a.m. on Tuesday, 22 October 1985. Photostat copies of Application Forms will not be accepted.

A separate cheque or banker's draft must accompany each Application Form. Cheques and banker's drafts must be drawn in sterling on a branch in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for the members of those Clearing Houses, must bear the appropriate sorting code number in the top right hand corner and must be made payable to 'Bank of Scotland' and crossed 'Not Negotiable'. All cheques and banker's drafts are liable to be presented for payment on receipt.

Applicants are strongly advised to use first class post and to allow two days for delivery.

CONTINENTAL ASSETS TRUST PLC

Offer for Sale

of

12,000,000 Ordinary Shares of 75p each (with Warrants attached) at 100p per share payable as to 50p on application and as to the balance of 50p on 15 April 1986.

* *Number of shares applied for*	*Amount of cheque or banker's draft*
	£

*** Application may only be made for 100 shares or a multiple thereof.**

For office use only
1. Acceptance number
2. Number of shares allocated
3. Amount received £
4. Amount payable £
5. Amount returned £
6. Cheque number
7. Brokerage (ex-VAT) £

To: Phillips & Drew and Bell, Lawrie, Macgregor & Co.

I/We enclose a sterling cheque or banker's draft payable to 'Bank of Scotland' for the above mentioned sum being the amount payable on application for the stated number of Ordinary Shares of 75p each (with Warrants attached) of Continental Assets Trust PLC ('the Company') at 100p per share, and I/we hereby apply to purchase that number of shares (with Warrants attached) and I/we agree to accept the same or any smaller number in respect of which this application may be accepted upon the terms of the Offer for Sale dated 15 October 1985 (which includes the section entitled Procedure for Application) and subject to the Memorandum and Articles of Association of the Company. I/We request that you send to me/us a partly paid renounceable Letter of Acceptance in respect of the number of shares (with Warrants attached) in respect of which this application is accepted and/or a cheque for any moneys returnable by post at my/our risk to the first address given below. I/We hereby authorise you to procure that my/our name(s) be placed on the register of members of the Company as holder(s) of such of the shares allocated to me/us as have not been duly renounced, and on the register of warrantholders of the Company as holder(s) of the subscription rights attached to such shares.

In consideration of your agreeing to accept applications upon the terms and subject to the conditions of the said Offer for Sale, I/we agree that this application shall be irrevocable until 7 November 1985 and that this paragraph shall constitute a collateral contract between me/us and you which shall become binding upon despatch by mail or delivery of this Application Form duly completed to Bank of Scotland.

Dated .... 1985. **1. Signature** ....

Please use block capitals

← Christian name(s) or forename(s) (in full)
← Surname and designation (Mr, Mrs, Miss or Title)
← Address (in full)

Stamp of recognised bank or stockbroker claiming commission (see Note 5 below)

VAT No.

(In the case of joint applications all further applicants must sign and complete below)

Please pin your cheque or banker's draft here

2. Signature ....
Christian name(s) or forename(s) (in full) .... Surname and designation ....
(Mr, Mrs, Miss or Title)
Address (in full) ....

Please use block capitals

3. Signature ....
Christian name(s) or forename(s) (in full) .... Surname and designation ....
(Mr, Mrs, Miss or Title)
Address (in full) ....

4. Signature ....
Christian name(s) or forename(s) (in full) .... Surname and designation ....
(Mr, Mrs, Miss or Title)
Address (in full) ....

Notes:

1. **Any signature on behalf of a corporation should be that of a duly authorised official who should state his representative capacity.**
2. **If this form is signed under a Power of Attorney, such Power of Attorney or a duly certified copy thereof must accompany this form.**
3. **No receipt will be issued for the payment on application**, but an acknowledgement will be forwarded through the post in due course, either by a partly paid renounceable Letter of Acceptance for all or part of the shares applied for and/or a cheque for any application moneys returnable, in each case at the risk of the applicant(s).
4. **Until Wednesday, 4 December 1985 dealings in Ordinary Shares (with Warrants attached) will be in multiples of five Ordinary Shares only. Thereafter Ordinary Shares and Warrants will be transferable separately.**
5. Commission of ½ per cent (plus VAT) will be allowed to recognised banks and stockbrokers on applications (to the extent that they are accepted) bearing their stamp and, if applicable, VAT number. This commission will not, however, be paid in respect of allocations which arise out of an underwriting commitment or on allocations made to persons who have indicated to Phillips & Drew or Bell, Lawrie, Macgregor & Co. their intention to apply for shares, to the extent that they so apply.

FT/151085

UK COMPANY NEWS

Peachey Property reaches £10.3m as rents increase

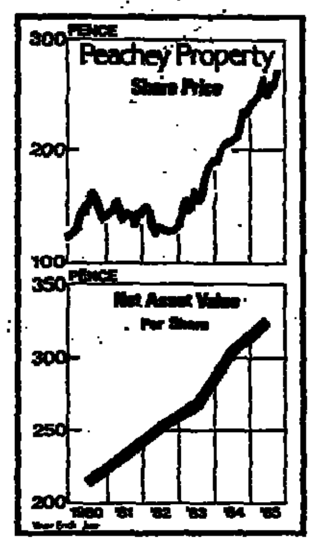
SEVERAL MILESTONES have been achieved during Peachey Property Corporation's 50th year, Sir Charles Ball, the chairman, states, including a rise in pre-tax profits to over £10m.

With gross rents and trading property sales ahead by 26 per cent from £11.88m to £14.97m, profits at the taxable level increased by 24 per cent to £10.3m for the year to June 24 1985, against £8.32m. At the interim stage profits of £4.85m (£3.04m) were achieved.

The directors of this property investment, dealing and trading company are recommending a 5p (4.5p) final dividend, as forecast in May when a portfolio of properties was acquired from Lloyds Bank Property. Total payments for the year are lifted to 8p (7p).

The chairman says that the company's objective continues to be one of increasing net property investment income. During the year under review property assets exceeded £150m compared with £100m two years ago, and net rents increased by £961,000 to a record £7.69m and currently exceed £10m annually. This figure also reflects the benefits of the letting of Standon House, of the new investments and the rent reviews.

To increase its property investment income further the company is actively looking to enlarge its property development programme and to seek additional investment properties for purchase. Trading profits, which



rose by £1.18m to £4.69m, will continue to make a contribution, Sir Charles adds, but on a reducing scale.

Rationalisation and improvement of the portfolio has reached a peak. The policy of selling residential property has continued, while the properties acquired from Lloyds Bank Property have enabled Peachey to substantially improve the quality and spread of its retail and office investments.

After tax of £3.94m (£3.78m) attributable profits emerged £1.82m ahead at £6.35m for earnings per share of 21.7p, against 15.5p.

At June 24 the company had a net asset value of 326p (304p) per share.

● comment

Peachey has gently exceeded the profits forecast made at the time of the purchase of the Lloyds properties. However, no inidcation was then given on the net asset figure, which in the event was slightly disappointing. Carnaby Street, which accounts for nearly 20 per cent of the portfolio, appears to be still popular among tourists, even if long since despised by London's own trendsetters, and the value of that property rose last year by 12.4 per cent. Meanwhile, the group's office properties rose by only 6.5 per cent, while industrial properties generally fell in value by 5.5 per cent. Now that Peachey has sold almost all of its residential properties, lower trading profits this year may imply a slightly lower pre-tax figure, although with a larger percentage of investment income, the quality of earnings will be improved. The shares have outperformed for the last two years as the well-regarded management team has increased its exposure to the fashionable retail area and has turned in two years of good results. However, at a discount to assets of 15.3 per cent, the shares at 276p are at a large premium to the sector, and are probably high enough.

James Neill outlines offer terms

JAMES NEILL HOLDINGS, the hand tool manufacturer, yesterday posted the formal offer document detailing terms and reasons for its £12.4m takeover bid for Spear & Jackson, the garden tool manufacturer.

Neill said that, in terms of profits and margins, Neill had outperformed Spear since the arrival of Mr Peter Bullock as Neill's chief executive at the end of 1982. An investment of £100 in both companies at the beginning of 1983 would be worth £310 with Spear and £720 with Neill, it said.

Neill forecasts a 38 per cent increase in pre-tax profits to about £5m in the year to December 1985, against £3.6m in 1984. Earnings per share would rise to 23.6p from 16.8p.

The company noted that Spear had changed its year end to March 31 from December 31 after introducing a new marketing strategy. This would give Spear the benefit of two important sales periods for garden tools in the current 15-month period, it warned.

Spear responded with a document denying there was any industrial logic to the bid. Neill's engineering tools were being swamped by low-cost imports while garden tools were virtually import-free.

Spear said it intended to challenge Neill's financial arguments on the grounds that Neill's treatment of depreciation and extraordinary items was unduly favourable to its figures.

Neill is offering three of its own shares for every two of Spear's. Neill's shares were unchanged at 147p yesterday, valuing the bid at 220.5p per share. Spear rose 5p to 223p. There is a cash alternative worth 195p per share.

Foreign ownership of BAe nears 15%

By Martin Dickson

Foreign ownership of shares in British Aerospace has risen sharply from around 5 per cent last spring to more than 14 per cent—approaching the maximum 15 per cent permitted under the company's articles of association.

This situation prompted a statement yesterday from BAe warning foreign investors to bear these restrictions in mind before purchasing any more of the company's shares. BAe shares closed at 450p, down 10p on the day.

The sharp increase in foreign interests in BAe stems from the £550m issue of shares in the company last May, when the Government sold its remaining stake in the group and BAe raised new funds with a rights issue.

BAe said the estimate that over 14 per cent of its shares were foreign-owned followed the recent payment of the second instalment due on shares issued under that offering.

The 15 per cent ceiling was inserted in the company's articles of association at the time of denationalisation to enforce the principle that BAe should remain under British control. Foreign-held shares mean any owned by a foreign individual, corporation or corporation under foreign control.

If foreign buyers broke the 15 per cent ceiling, a "last-in, first-out" principle would operate: the purchasers of the excess shares would have to sell them within a reasonable period (usually 21 days) or be disenfranchised.

Brook St approach

Shares in Brook Street Bureau put on a spurt yesterday as the company confirmed that it had received a fresh approach from an unnamed suitor which might lead to a bid for the company.

Back in February, Brook Street said that it had received several bid approaches but no public offer materialised from them. Mr and Mrs Eric Hurst are joint chairmen of the company and speak for a majority of the shares, which closed last night at 170p, up 19p on the day.

Jourdan purchases

Thomas Jourdan, the diversified consumer products manufacturer, is to buy Lion Brush Works, a manufacturer of cosmetic brushes, and Fashion Girl, a small company marketing beauty care products, for £1.25m through a vendor placing of about 1m new shares.

Jourdan coupled the news with a forecast that its existing businesses—which include Mary Quant cosmetics royalty contracts, and the manufacture of trouser presses and fire surrounds—would make pre-tax profits in the year to December 29 of not less than £1.1m—up 31 per cent on last year.

Lion, which operates from two factories in Newcastle-upon-Tyne, made £309,000 pre-tax in the year to March on £2m turnover.

M.Y. Dart

Mr Lew Cartier, the former supermarkets chief who built up a stake of more than 10 per cent of the ordinary shares in M. Y. Dart, the sports equipment and bicycle group, announced yesterday that he had reduced the holding to 8.1 per cent.

Airship Inds plans listing in Australia

Airship Industries, manufacturer of lighter-than-air craft is planning to obtain a stock market listing in Australia. Next week formal application will be made to the Sydney stock exchange and dealings are expected to begin shortly afterwards.

These plans do not affect Airship's intention to return to the USM, where its quotation was cancelled last year when the company ran into financial difficulties. Submission to the London Stock Exchange will be made by the end of the month.

Airship, which is based in the UK, is about 70 per cent owned by the Australian Bond Corporation. Of a recent placing of 22.4m shares raising £5.6m, about 35 per cent was taken up by Australian institutional investors.

Airship's shares are currently traded in London under Rule 535.

Pict Petroleum in black

Pict Petroleum, USM-quoted oil and gas exploration and development company, has returned a profit of £621,130 in the eight months to June 30, 1985, against a loss of £823,186 in the year to October 31, 1984.

The company says it achieved a balance between income assessable to Petroleum Revenue Tax and exploration and appraisal expenditure which can be offset against the tax.

Subject to unforeseen circumstances, the company expects this balance to be maintained during 1985.

No dividend is being recommended, in common with previous years.

Turnover rose to £2.44m (£1.47m) and there was again no charge for tax. Earnings per share were stated at 7.3p (loss of 11.6p).

Publication of the annual report has been delayed pending Department of the Environment approval of proposals to develop two oil fields south of Piper field. It is envisaged that it will be sent to shareholders before the end of November.

The company's accounting year has been changed from October 31 to June 30.

Nolton advances to £0.74m

Nolton, property and investment holding company, increased pre-tax profits by 83.25 per cent to £740,812 in the year to July 31, 1985, against £404,253 for the 15 months to July 31, 1984.

A final dividend of 0.424p (0.775p) is being recommended, in line with forecasts made in the interim report, on capital enlarged by a two for one rights issue in August. With the interim dividend of 0.75p (0.6p) this makes an unadjusted full year dividend of 1.174p (1.375p).

Turnover was £11.96m (£8.22m) with tax up to £218,352 (£39,700). Minority debit accounted for £6,325 (nil) while extraordinary debit was nil (£36,422).

Earnings per share were stated at 10.25p (6.96p).

COMPANY NEWS IN BRIEF

HAMPTON TRUST, property, gold mining group, is raising £10m via the issue of first mortgage debenture stock 2025. The proceeds will be used to repay the £9m in short term bank borrowings arising from the purchase last month of two London office buildings. The stock is priced at £99.17 and carries a coupon of 11½ per cent. Barclays Merchant Bank has underwritten the issue, and brokers are de Zoete and Bevan.

UNITED Ceramic Distributors, wall and floor tile concern quoted on the USM, reports pre-tax profits of £116,062 (£97,649) for the six months to June 30, 1985, on turnover of £3.73m (£3.27m). An interim dividend of 1p (1p) is being recommended. Earnings per share were stated at 3.1p (2.1p).

MERCHANTS WAREHOUSING, which is engaged in grain dischargin and storing, is raising its dividend from 1.5p to 1.8p for the year ended June 29 1985, with a final of 0.9p. Profit before tax came to £294,845 (£222,227) including interest receivable £107,206 (£61,207) and associates £95,470 (£167,889), and after exceptional debits £53,937 (£102,757). Tax takes £103,979 (£22,499) leaving earnings 3.18p (3.33p) per share.

SYNAPSE COMPUTER SERVICES reports pre-tax profits up from £106,800 to £511,000 in its initial year-end figures since joining the USM. A dividend of 0.75p is being paid, and the directors have agreed to waive their rights to receiving it. Turnover in the year to July 31 1985 was up from £1.26m to £2.24m, and operating profits were £518,600 against £101,300. Placing and issue expenses incurred to deal on the USM resulted in extraordinary debits of £127,500. Stated earnings per share rose from 1.99p to 3.26p.

FINANCIAL TIMES SURVEY

Wednesday October 16 1985

BELIZE

Belize, with its close links with Britain, has managed to stay aloof from the strife surrounding it in Central America. Recent austerity measures now seem to be paying off and the country is anxious to encourage more investment from abroad

More confident now

THROUGHOUT BELIZE there is not a single traffic light. Even in Belize City, which houses a third of the 150,000 population, the loudest noise tends to be that of the wind blowing in from the Caribbean, and at this time of year the sound of tropical rain lashing against thick leaves and tin roofs.

Items that lead the local news are events like the installation of the first telephone in the schoolmaster's house in a southern village of 300 inhabitants. The Belize police are the only unarmed law enforcement personnel, not just in Central America, but the entire continent, a residue of British colonial training.

Belize is a tranquil place. Its tranquility is all the more remarkable because it is surrounded by so much political and social conflict. Belize has managed to stay aloof from the strife in Central America largely because, under British colonial rule, the focus was towards the Caribbean and the UK or towards the U.S. Since independence in 1981 the continued failure to resolve the long-running Guatemalan claim to Belize has provided little incentive to integrate more closely with its neighbours and ensured that British troops remain in the country to protect Belizean sovereignty, so emphasising the physical and psychological insulation of the region.

It should be said that Belize's neighbours tend to feel the same, with the notablue exception of the Mexican Government which has full diplomatic representation. Belize, for instance, has not been included in the four-nation "Contadora" initiative to draw up a peace treaty for Central America covering Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

The country's first real test of political maturity was the general elections of last December. In a calm poll, Mr eGorge Price who had been premier ruling through his People's United Party (PUP) for nearly 25 years was roundly

This survey was written by ROBERT GRAHAM

defeated by Mr Manuel Esquivel's United Democratic Party (UDP). The UDP won 21 of the 28 seats in the House of Representatives.

The result was a fairly typical democratic example of a man and party that had been in power too long, and who had become removed from an electorate that sought a change of style more than substance.

Mr Esquivel, a 44-year-old physics teacher, has sought to take the electorate much more into his confidence; and, if there is a difference in policy, he is a little more conservative and pro-business, with a greater emphasis on speeding up economic development.

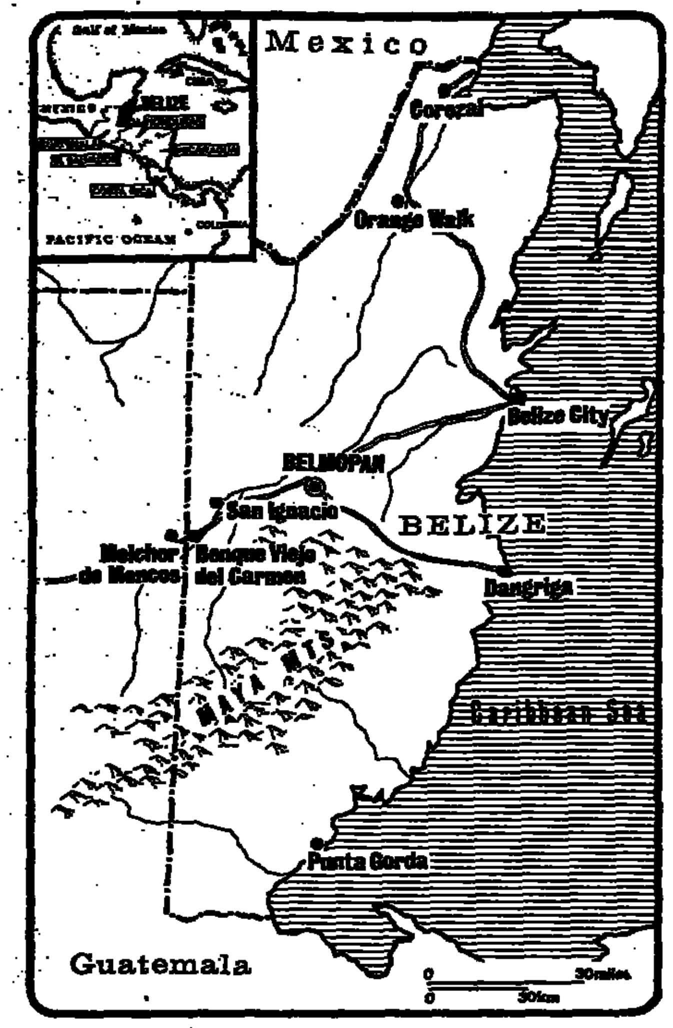
In social terms the election has also proved something of a landmark. In Belize's highly heterogeneous society there has always been a danger that political parties could represent ethnic groups, especially the Creoles and the Ladinos (or Mestizos of European-Amerindian descent) who comprise over 70 per cent of the population.

Mr Esquivel's landslide victory, a Ladino heading a traditionally Creole-backed party, should prove socially cohesive.

Contributing to Mr Price's demise were fears that he might do a back-stage deal with Guatemala. Such a deal, however, would be very difficult to execute. Mr Price merely wanted to see the issue resolved on the attainment of Belize's independence.

Mr Esquivel's policy is much the same: "We reject any question of land transfer to Guatemala. But we are willing to listen to whatever proposals might be helpful to resolve the dispute," he says.

The issue is discussed at length elsewhere in the survey; but here it is worth stressing that Guatemala now appears to be far more realistic in recognising that it cannot seize Belize or claim sovereignty indefinitely. The status of the



Guatemalan claim will help determine the timescale on which 1,800 British troops remain in Belize.

In purely British terms, their commitment to Belize's territorial integrity is something of an anachronism. But certainly Mrs Margaret Thatcher, the British Prime Minister, is prepared to keep them in Belize for the foreseeable future—"an appropriate time."

Mr Esquivel, from recent all-party soundings in London, believes the other political parties are in basic agreement on the need to retain British troops. The extra cost is around £7m.

Furthermore, with the Falklands' runway now enlarged, the pressure on the use of Harrier jump jets in Belize has been removed.

Britain, in fact, finds itself locked into a difficult situation. The British military presence in Belize is not a cause of conflict; it underpins internal stability and prevents external vulnerability, while £30m spent by the forces represents over two-thirds of current budget expenditure. Withdrawal would be traumatic for Belize in every way.

This is not to say that Belize is avoiding trying to stand on its own feet. Rather, it is a realistic appreciation of the country's poor economy and its tiny local defence force (outnumbered at least 500 to 1 by the Guatemalans).

Mr Esquivel also feels that to seek to replace the British with the U.S. would be potentially destabilising, and would suck Belize far more directly into Central America. In fact, Mr Esquivel wants to exploit the stability provided by the British presence to encourage

Belizeans relax in a domino game: unscathed by the turmoils of other areas of Central America.

more foreign investment and international aid.

The economy is heavily dependent upon imports and its main export commodity, sugar, has suffered badly as a result of the collapse of international sugar prices, which unfortunately coincided with independence. Were it not for international aid, Belize would have no development budget due to lack of foreign exchange. This year's development budget of roughly $50m is virtually all covered by aid.

Development is expensive because the population is scattered across a relatively large area whose terrain is either swamp, forest or mountain. The capital, Belmopan, was established on a virgin site some 50 miles inland because of the frequent hurricanes that devastated Belize City.

Having an administrative capital with under 4,000 inhabitants separate from the commercial centre, Belize City, is an additional cost, even if the existence of Balmopan has helped open up the surrounding area to agriculture.

Both Mr Price and now Mr Esquivel have shown cautious management of the economy. The infrastructure is slowly building up and there is a sensible emphasis on agriculture and agri-business. The big blow has been the decision last year by Tate and Lyle, which ran the sugar industry, to withdraw all but a residual presence. This was the biggest foreign investment in Belize. But the reverse has been compensated by the announcement this month of Coca Cola's food subsidiary, Minute Maid, which is to invest over $120m to develop citrus for orange concentrate.

The government feels that U.S. investment has ignored Belize, largely through ignorance, and, given the tariff advantages offered by President Reagan's Caribbean Basin Initiative, more could now follow as a result of Coca Cola.

The economy is also influenced by a substantial illegal marijuana industry. The police reckon that at least 1,000 acres are currently under cultivation whose crop would provide a U.S. street value of $500m.

Effective aerial spraying was conducted in 1983, but since then concern about the effects of the spraying agent, paraquat, has halted the operation.

Limited resources

Given Belize's limited police resources control of the business is difficult—some crops are destroyed by hand-cutting, and steel posts are placed along roadsides to prevent aircraft landing for pick-ups. But the people behind the business have not been stopped and their power to corrupt is profoundly worrying to the government. Recently a former minister was arrested in a "sting" operation in the U.S. and is now appearing there on drug charges.

Those growing the illegal crops are frequently illegal immigrants from either El Salvador or Guatamala. The influx of refugees or persons seeking work from among Belize's neighbours is a phenomenon with potentially far reaching consequences.

Traditionally, there has been free cross-border movement, especially among the indigenous indian population. Guatemalans, for instance, seasonally came into the south to work in the banana business.

Latterly, this seasonal labour has begun to stay on in Belize. At the same time refugees have begun to come in from El Salvador since the civil war broke out in earnest in 1979. For instance, in 1980 there were 1,314 Guatamalans registered and by April this year their number had risen to 5,523.

From having only 442 Salvadoreans in 1980 their number has grown to 3,744. In a small population such numbers do have an impact, especially as the real entry figures are higher. There are believed to be up to 9,000 Salvadoreans in Belize, either working on slash-and-burn clearings in the forest or as skilled workers in towns. This influx also tends to move Belize towards being more Hispanic.

Belizeans in public are at times resentful and fearful of this influx. Nevertheless, the unpalatable fact is that if the Government were to try and accelerate economic development, or if there were to be an upsurge in foreign investment in agriculture as hoped, there would be a labour shortage.

Too many skilled Belizeans go to the U.S., while the main source of unskilled labour, in Belize City, seems to be reluctant to move out into the countryside.

For the moment the country is still coping with austerity measures and a growth rate of under 1 per cent. However, there are encouraging signs that the austerity measures are working and that in 1986 Belize can look forward to higher growth.

Thus, given the plight of its neighbours, Belize can stand back and feel in a privileged position. It may be poor with a per capita income of around $1,000 per capita, but there is polpable evidence of improvement, and a quiet sense of confidence which has replaced the complacence of the period up to independence.

IN THIS SURVEY

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A shift of emphasis

Economic Policies

SEEN FROM the air, Belize has three striking features—a string of cays and barrier reef that stretch almost the entire length of the coast line in shallow water; a swampy coastal strip and a carpet of green forest that seems to engulf virtually the entire country.

On the ground the physical features are more varied with the undulating Mayan Mountains rising in the south which is rainier and more tropical; while in the north the landscape is softer and long-cultivated by the sugar industry.

Nevertheless, 93 per cent of the country is classified as forest and the common element in the three aerial features is the virgin nature of Belize. It is the least developed of the Central American countries and also the least populous with 53,000 of the 162,000 population living in Belize City—while the new capital, Belmopan, 50 miles inland, still only has 3,500 inhabitants.

Although the early colonial interest was in Belize's logwood for dyes and its high-quality mahogany, the economy has been latterly underpinned by sugar.

Until the sugar price collapsed in 1982, exports of this commodity accounted for almost 60 per cent of total foreign exchange earnings.

The crisis of the international sugar industry has cut Belize's sugar earnings 20 per cent to BZ$65m.

At the same time the sharp fall in the value of the Mexican peso in the past three years has halved a profitable re-export business into Mexico. The consequent shortage of foreign exchange has put a brake on development and forced an austerity programme under the aegis of the International Monetary Fund.

This is a plight which many of Belize's Latin American neighbours are now facing. However, Belize is different in a number of important respects. The scale of Belize's economy is extremely small: imports for domestic use are scarcely more than US$100m (BZ$212m) and the operating budget for 1984-1985 was under US$60m (BZ$118m). Management is thus far easier.

Secondly, development has been conservative and well-planned with very little evidence of any extravaganzas resulting from independence in 1981.

Finally, because of the country's relative backwardness and its obvious deserving needs, Belize has had little need to finance the shortfall in development funds through commercial bank loans because it has been able to rely upon aid from international institutions and international allies, especially Britain, Canada, the EEC and the U.S.

Belize's foreign debt totals US$71m of which two-thirds is long-term. There is every indication that, so long as the cautious and tight economic management continues, Belize will have the necessary international support to further develop and modernise, and, in particular, come to terms with diversification away from dependence upon sugar.

Belize's principal natural resource is land of which roughly 2 per cent is used for agriculture. Nevertheless, 42 per cent of the workforce are involved in agriculture, forestry and fisheries. Manufacturing is limited to a few light industries and a garment export business; but total employment in this sector is no more than 10 per cent of the active population.

In the past decade experiments in new crops has led to a fast expanding citrus production, mainly for orange concentrate exports, and a measure of import substitution in dairy and meat products. But these improvements have not offset either the decline in sugar earnings or continued dependence on foodstuff imports. This, coupled with the need to spend BZ$43m, or nearly 30 per cent of imports for the domestic market, on fuel and refined oil products, has meant a continued sharp imbalance on the trade account. Last year the trade deficit was BZ$76m including re-exports, essentially to Mexico.

The trend is the same this year, with sugar prices still low and re-export business liable to be negatively affected by economic difficulties of Belize's neighbours.

As part of an austerity programme initiated by the previous Price Government, imports have been cut back and restrictions placed on Government spending. Indeed, since 1981 the high annual growth rates of over 4 per cent that marked the later 'seventies have been replaced by negative growth or stagnation. This year growth will be no more than 0.5 per cent.

Without significant inflows of international aid, development expenditure would have virtually halted since so much of this hinges on access to foreign exchange to pay for imports. The U.S. has stepped in this year with $22.5m worth of assistance, of which $14m are economic support funds including $1m in grants. The UK, which provides 40 per cent of total aid, agreed in July to provide a further £7.5m with a continued emphasis on infrastructure projects. This international assistance, plus an IMF loan of SDRs 7.5m have helped tidy up the balance of payments so that the overall deficit is less than BZ$2m.

Sr Manuel Esquivel's Government inherited an agreement negotiated with the IMF in December 1984. He and his ministers like to think they are pursuing it more rigorously than their predecessors. The broad lines are to cut the budget deficit to below 6 per cent of GDP to reign in credit and to improve the finances of the statutory boards—the utilities like the state-controlled telephone and electricity services.

A squeeze has also been put on the four commercial banks with minimum reserve requirements placed with the Central Bank being raised in two steps from 20 to 30 per cent. Also the cash reserve requirement placed interest free with the Bank has been raised from 7 per cent to 9 per cent, and interest rates were raised.

Arguably the main difference in the new Government that took office after the December 1984 elections is one of emphasis. Sr Esquivel has moved quickly to shake up the public sector with a closer scrutiny being made of the Electricity Board, and the beginnings of devolution to the private sector.

The Banana Board, for instance, has been totally reorganised so that it becomes a supervisory board and the banana business meanwhile has been sold off to private farmers. Sr Esquivel has also gone about more aggressively seeking foreign investment both in tourism, agriculture and agri-business.

This said, the basic direction of economic development is the same, essentially because there are limited parameters within which the economy can move. The general infrastructure is weak and every aspect of the country's essential services needs both improvement and expansion to accommodate any broad-based economic development plans.

The situation is not the result of neglect or mismanagement, rather a direct consequence of the need to provide infrastructure in a hostile climate over difficult terrain for very few people. For example, the road between Belize City on the coast to Belmopan in the interior is being upgraded. The distance is over 50 miles, much of it through swamp or areas subject to devastating rainfall: this costly connection is between a population of 50,000 and one of 3,600.

The airport is now being reassessed for modernisation with a new passenger terminal. The present one has a "friendly" waiting hall, the size of a large bungalow. But the traffic handled is no more than 80,000 passengers a year. British aid experts are currently trying to determine what sort of building is realistic for such traffic since Britain will probably pay for it.

Or again there is the case of port facilities. Belize has no deep water port. Belize City has a huge long pier that juts out 762m into shallow sea with a draft of only 5.5m at the end. This can handle small r/r vessels, but the larger ones are obliged to anchor out to sea. Thus, banana exports, for example, have to be transhipped in barges to neighbouring Honduras' Puerto Cortes.

A further constraint is the cost of importing fuel for domestic power generation and the high cost of transmission. Suggestions that greater use be made of connecting up with the Mexican grid have been turned down by the Government on the grounds of the need to have indenendent electricity supplies.

Added to infrastructural considerations is the small size of the local market and labour force. While Belize has the highest literacy level in the region of over 90 per cent, there is a shortage of skilled labour only partially filled by immigrants from Guatemala and El Salvador or by contracted expatriates.

The Central Bank, for instance, is especially short of Belizeans. The Belizeans themselves have emigrated in substantial numbers to the U.S., especially the New York area and Los Angeles, where some 50,000 are reported to live. Their remittances are useful in providing foreign exchange, but this represents a major exodus of skills.

External debt

● External public debt equivalent in US$m	
External public debt at end-1983	68.3
Drawings in 1984	8.3
Amortisation in 1984	2.2
Valuation adjustments	−5.0
External public debt at end-1984	69.4
Interest payments in 1984	2.8
External paymts. arrears	5.2
of which: Principal arrears	4.5
Int. and other arrears	1.7

Source: Government statistics.

Profile: Prime Minister Manuel Esquivel

Achievements win respect from party colleagues

AS HIS name suggests, Mr Manuel Esquivel is a Ladino, or Mestizo, a Spanish-speaking Belizean descended from Amerindians and Europeans.

Yet it is a measure of the maturity of the political process that he should have been selected in 1982 to head the United Democratic Party (UDP), traditionally associated with being a predominantly Creole party, and to have gone on to win last December's general election.

Soft-talking and conciliatory, he has converted the UDP into a truly national party. This achievement has earned him the respect of his colleagues and given him a stature which few thought he could attain because he was originally seen as a compromise candidate.

He does not accept that he owed his election victory to the electorate's disaffection with Mr George Price's long stint as premier. Nevertheless, he seems to have studied carefully his predecessor's errors.

He has made a point of opening up government to greater scrutiny—Mr Price never liked public scrutiny, and Mr Esquivel's weekly sessions with the local Press are a major change public relations.

Mr Esquivel was born in Belize City in 1940 and went on to study physics in the Jesuit-run Loyola University of New Orleans. He then acquired a certificate in physics education from Bristol University, England. He knows both the U.S. and the UK well.

He returned to Belize, teaching physics and mathematics at St John's Junior College. He has been involved in politics since the early 'seventies and has always been with the UDP which was formed by a breakaway group of Mr Price's own People's United Party.

Between 1974 and 1980 he twice served on Belize City Council and since 1979 has been a member of the Senate. Before he became the UDP leader, he was party chairman for six years.

He is married with three children.

Close links with Britain maintained

Foreign policy

THE STORY of Belize's foreign policy since independence in 1981 has been a close alliance with Britain. This takes the form of an ongoing defence commitment by Britain to protect Belize's sovereignty against neighbouring Guatemala which has never renounced its claim to the territory.

Guataemala's unresolved claim remains the major foreign preoccupation but, curiously, it does not make Belize very conscious of its geographic position within Central America: rather the focus of both this and the previous government has been towards the Commonwealth Caribbean and a careful deference towards the U.S. where up to 50,00 Belizeans are living.

Guatemala's unresolved sovereignty is said to derive from the early Spanish colonial era when Central America was controlled by the Captaincy General ruling from Guatemala on behalf of the Spanish Crown.

Even though a treaty was signed in 1859 between Britain and Guatemala recognising the Belize-Guatemala border, latterly this treaty has been regarded as null and void.

From the 1960s right up to independence numerous abortive attempts were made to solve the dispute either directly or through third parties. These always broke down because of the Guatemalan's military fears of making concessions, especially anything that might jeopardise future access to the Caribbean.

Since independence, while still refusing to recognise Belize, Guatemala has come closer to making concessions but the basic problems of national pride and access to the Caribbean remain.

An arlticle in the draft constitution for Guatemala, due to be approved after elections there in November, for the first time puts the Belize issue before the public; and it is possible that a referendum could be held to decide for or against renouncing the claim. But this development is only possible if the Guatemalan military accept some compromise proposals over seas access.

The British defence commitment is one of the few places outside of Europe were it is consciously visible. At Belize Airport four Harrier jump jets are stationed and protected by Rapier missiles. The main army encampment is close by.

Britain has between 1,600 and 1,800 troops committed to Belize, the figure varying pending on the presence of a Navy frigate or destroyer. The army contingent is permanently around the 600 level with variations pending upon the regiment. The regiment's tour of duty is for six months (unaccompanied) and handover has just occurred from the Duke of Wellington's Regiment to 40 Commando of the Royal Marines.

Two observation posts are manned at strategic points along the Guatemalan border and there is a forward camp in the south, the most sensitive area since this is where Guatemala is anxious to secure proper access to the sea.

Both the Belizeans and the British Government are in no doubt that this military presence in a permanent state of high readiness has proved a deterrent to any Guatemalan ideas of adventurism in the post independence period. In private, officials believe that Belize's willingness to see the British continue in the country and Britain's commitment to do so have helped persuade the military government in Guatemala to adopt a more "realistic" attitude.

At present, Belize operates a three-mile limit but it could legitimately declare a 12-mile limit or further as many states are doing.

A 12-mile limit would effectively exclude Guatemala from claiming any territorial sea. Thus, any realistic agreement has to provide Guatemala with a guaranteed corridor.

Provided elections go ahead in Guatemala in November, some movement could be expected in the new year. In the meantime, British troops remain indefinitely. The word currently used by both governments is that British troops will stay for as long as is "appropriate."

Britain does not wish to give the impression of being totally open-ended in its plans because the aim is eventually for Belize, through the Belize Defence Forces (current strength 500), to defend itself. The Prime Minister, Mr Manuel Esquivel, is confident that this will not be a controversial issue in British domestic politics.

The cost to Britain is running at £30m a year, approximately £7m more than if the troops were stationed at home or Germany. For Britain, it provides a valuable military training opportunity and it offers Belize additional aid.

"It would have a very serious effect on the economy if the British were to pull out their defence forces now, and I think Britain appreciates this," says Mr Esquivel.

The Guatemalans themselves have come to recognise the stabilising influence of the British troops in this small part of strife-torn Central America. Thus, without saying so publicly, they have let it be known they are in no hurry to see the British leave.

The same applies to the U.S.: Sr Esquivel makes it clear that should the British withdraw he is not keen they be replaced by American forces as he believes this could prove destabilising, sucking Belize directly into Central American policies.

U.S. aid

Ties with the U.S. are close and cordial, and there has been no sign of anti-Americanism either under the previous Price government or under Mr Esquivel. The U.S. is a major aid donor, contributing $22m this year, and providing 200 Peace Corps members—one of the largest Peace Corps presences in any country where they operate.

The Reagan Administration is also actively seeking to make Belize benefit from the Caribbean Basin Initiative.

As part of the expansion of the Reagan Administration's propaganda war against the Sandinista government in Nicaragua, a Voice of America relay station is being built in the south near Punta Gorda, similar to one in Costa Rica. The U.S. is reported to have leant on Belize for this facility which is also believed capable of monitoring.

BELIZE 3

New project sparks international interest

Foreign Investment

BELIZE IS described as an uncut jewel waiting to be exploited by its most prominent businessman Mr Barry Bowen. It was his hard sell on the possibilities of exploiting this uncut jewel that has just persuaded Coca Cola to undertake a major agribusiness venture. Through its subsidiary Minute Maid it is to develop up to 50,000 acres of forest, converting it to citrus for orange concentrate exports.

The forest land was bought from Mr Bowen's Belize Estate and Produce Company and this in itself represents a neat metamorphosis of foreign investment in this coastal state. Belize Estates, British owned, was originally the biggest landowner/leasee in the country exploiting what until the fifties was considered the principal natural resource—timber. The hope now is that foreign companies will focus on agribusiness ventures.

Big boost

Minute Maid's investment, discussed in detail in a separate article, is just the kind of boost Mr Esquivel's government needs. A major international company committing itself in this way is the catalyst that awakens interest and gives the green light for others to at least scrutinise what Belize has to offer. It is thus important that this investment proceeds as planned and is seen to work. For this also tends to balance out the disappointment felt over the cutback in the sugar industry, the main foreign exchange earner, and the near total withdrawal of Tate and Lyle—the former flag bearer of foreign investment.

Since taking office last December, Mr Esquivel has actively gone out and sought new investment, concentrating on the U.S. but also trying to encourage Far Eastern investors. The main selling points that he is pushing centre around the attractiveness of using Belize to service the U.S. and Caricom markets. Under President Reagan's Caribbean Basin Initiative (CBI) a wide range of goods can enter the U.S. duty free at least for the next 11 years. Under Caricom, Belize goods have also important privileges in this Caribbean market. Of the states within the purview of the CBI, Belize is one of the few with a sufficiently large land area to accommodate big investments.

Complementary to the country's location and the advantages of the CBI, Belize is offering a record of democratic political stability, and Anglo Saxon legal system in tune with that of Caricom countries or the U.S., and a literate population that is also bi-lingual, in English and Spanish. In addition the Belize dollar is pegged to the U.S. currency on a 2 for 1 basis.

Given such advantages it is perhaps important to realise why there has been so little foreign interest in Belize until now. Prior to independence in 1981, few efforts were made to attract foreign investment, the emphasis being more on building up the domestic economy from its slim resource base. The emphasis on domestic development continues and much infrastructure still needs to be provided. But with a heavy dependence upon imported goods, foreign exchange has to be generated on the grounds that development cannot permanently be financed by aid and foreign assistance. Thus foreign investment has become a priority.

Given its limited road network, the absence of a deep water port and the small amount of electricity generating power, the most realistic focus for foreign investment is in the agribusiness sector, light manufacturing and tourism (and probably in that order).

The U.S. chocolate group, Hershey, has been growing cocoa in Belize on a small experimental scale for five years and has proven that this crop hitherto untried in Central Belize can be commercially cultivated. Hershey's financial stake has been relatively small because the company has preferred not to invest in large quantities of land; instead its idea is to encourage the creation of private Belizean farms round its core estate, buying in their produce. In the case of citrus the two companies that own concentrator plants (one linked to Nestlé) possess substantial land holdings but also buy in from local farmers. Minute Maid apparently intends to farm directly, and wholly owns 100,000 acres.

Policy

The state owns very large tracts of unused land which is a potentially simplifying element for agribusiness investors. As a rule the government does not sell land outright. Instead it provides arrangements whereby leases are paid off through development of land. A person/company who obtains a licence to develop land must develop at least 10 per cent of the arable land each year. The average lease payments are US$2.50 per acre per year.

The Ministry of Lands reckons that uncleared land varies, depending upon accessability from US$30 to 200 per acre. Mechanical clearing costs up to US$500 per acre but on a labour intensive slash-and-burn basis the cost comes down to US$90 per acre. In addition to these condition about land development, the government offers attractive tax incentives which have encouraged a number of individual investors, mainly North American.

On the light manufacturing side, foreign companies could do well to study the case of Williamsons which almost 20 years ago set up a plant to put together workmen's clothes. The material, some of it ready cut, is brought down by truck through Mexico to Belize City. The clothes are then made up and trucked back to the U.S.

Williamsons now employs 750, mostly women, and these exports are worth close to BZ$30m a year. Perhaps the most interesting aspect of this arrangement, which involves a small direct investment, is the use of the road link through Mexico. As one local businessman pointed out: "Even with the Mexican mordita (bribe) it turns out well." Another reasonable possibility is oil but so far all exploration has proved disappointing.

In the tourism field the Government is not looking so much for big chains to come in to Belize with large hotels. Instead it would like to entice smaller venture capital to establish relatively modest sized hotels and pensions, which would be more in character with the type of tourism envisaged — specialised interest tours for barrier reef diving, jungle trekking and visiting Mayan ruins.

As a whole Belize has very little experience of large-scale foreign investment and there is a residual caution both in Government and among a people proud of the wild undeveloped nature of their country. There is a strong and genuine concern with the ecology whether the sea or the forest, and an active Audibon Society exists to protect fauna and flora.

Domestic credit

Domestic credit outstanding of the banking system in BZ$m

	1983	1984	Per cent change
A. By Source	194.5	221.4	13.8
1. Central Bank	37.0	63.7	72.2
Loans and advances	18.3	20.9	14.2
Domestic securities of Govnmt.	18.7	42.8	128.9
Less: Govnmt. of Belize deposits	—	—	—
2. Commercial Bank	157.5	157.7	0.1
Loans and advances	141.4	153.0	8.2
Domestic securities of Govnmt.	16.6	5.4	−67.5
Less: Govnmt. of Belize deposits	0.5	0.7	40.0
B. By End-User	194.5	221.4	13.8
Public sector	75.6	90.9	20.2
Private sector	118.9	130.5	9.8

Harmony in diversity

Complex social groupings

BELIZE is an extraordinarily heterogenous society. It is a society in which Creoles dominate but with at least seven other groupings, all of which manage to live in harmony. Such harmony may derive in part from a genuine sense of identity as the one British-controlled and largely English-speaking country in Central America.

But it probably owes a great deal to the absence of any pressure on land, the small size of the population (150,000) and the moderate gap in incomes. Being a poor country with an unexploited economy, Belize, unlike its neighbours, has never developed a rich oligarchy. The main wealth lies in foreign trade. Today with a per capita income of just under US$ 1,000, there is little conspicuous over indulgence and this obviously helps social cohesion.

Although Creoles represent nearly 40 per cent of the population, according to the 1980 census, and often regard themselves as the true Belizeans they almost certainly were not the first inhabitants. Up and down the country there is ample evidence of Maya settlement, dating back according to recent evidence to 2500 BC in one instance. But the Mayans here did not escape the generalised decline of Mayan civilisation in Mexico and Central America; and, from the time of the Spanish Conquest in the early 1500s, their population inside Belize was limited.

Settlements

The Spanish sway over Belize was desultory since the country lacked the resources of Mexico and was without a decent harbour. This permitted primitive modern settlement by European bucaneers, mostly from the British Isles, in the 17th century. These so-called "Baymen" were on several occasions driven out by the Spanish; but the latter never stayed, allowing the Baymen to return with valves to tap the logwood (for dyes) and the mahogany.

The Baymen settled in the area around Belize City along the Sibun River, successfully repelling the last Spanish attack on September 10 1798—a date which has now become Belize's National Day. By this time the Baymen numbered some 800 with over 2,500 attendant slaves, brought either directly from Africa or more unlikely from the West Indies.

Following the introduction of slaves, the next major settlement change occurred in the mid 19th century after slavery had been abolished. Bitter factional fighting in the neighbouring Mexican province of Yucatan led to the exodus of some Mayan peasants and many small landowners of mixed Spanish-Mayan descent, the Ladinos (or Festizos). At the time of the 1881 census Ladinos accounted for 38 per cent of the population, settling the corridors along the Mexican border and between Corozal and Orange Walk. A further migration took place at the turn of the century from Guatemala into southern Belize and has been continuing ever since at a trickle, accentuated by the last 20 years of brutal military rule there.

Also fleeing from uncertain political conditions are Salvadoreans, especially since the civil war flared in El Salvador in 1979. Some have been treated as refugees and are being settled, others have moved in illegally, either working out subsistence agriculture in remote areas or filtering into the larger towns where their skills are in demand. Over 9,000 Salvadoreans are now in Belize. Three other groups deserve mention. In the 19th century a small community of Africans who mixed with native West Indian Caribs, known as Garifuna, arrived via Honduras and settled in the south. The Garifuna or black Caribs now account for almost 10 per cent of the population. In the late 19th century labour from India was brought to work the sugar can industry as indentured workers and the community today stands at about 3,000. Then in the late 1950s German-speaking Mennonites colonised land with British Government agreement in the centre and north, having moved out of Mexico or come from Manitoba, Canada. The 1980 census showed 4,800 Mennonites, or roughly 1,000 families devoted to farming in which they have proved highly successful.

The Creoles remain the largest group partly because of the original size of the slave population and also due to the considerable degree of inter-marriage that has produced anything from fair to very dark skins. The Creoles account for three-quarters of the Belize City population and this urban context has helped patent a distinctive English-Creole dialect. This is the most generalised form of coloquial communication although English is the official language. Officially 50 per cent of the population are classified as English speaking, 31 per cent Spanish, 6 per cent Garifuna, 4 per cent Maya with the remainder covered by Ketchi (by the Guatemalan indians), some indian dialects and German (the Mennonites).

These figures were taken from the 1980 census and are misleading. They were pre-independence and since then there has been a growing emphasis on genuine English-Spanish bilingualism. More Spanish is being taught in schools and more higher education is in Spanish institutions. This is because educational grants in the UK have been cut, and the cost of U.S. campuses has become very high. Thus agreements have been concluded for places in universities in Costa Rica, Panama and Venezuela. However, the University of the West Indies continues to play an important role and provides the Caribbean focus for Belize's culture. The Caribbean nature of Belizean culture was epitomised by an Independence poster which depicted a silhouteted Afro-Caribbean beaded head with the slogan: "Get Your Head Together for Independence."

Refugees

This said, Spanish speaking is on the increase even if Hispanic culture is still diluted. Radio announcements are often repeated in both Spanish and English. If there is any greater influx of refugees from political troubles in Guatemala, Honduras and El Salvador, or even from Mexico in search of jobs, the social and cultural balance will change. As it is the police are hard pressed to control illegal immigration as the borders are fluid and detection is very difficult.

The significance of this influx is that these people are on the whole are not assimilated and tend to be blamed, correctly or incorrectly, for a rise in crime and for being the prime growers of illegal marijuana crops. They are for instance blamed for taking advantage of the Mennonites code of non-violence and refusing to bear false witness, which makes them easy victims for robbery. The Mennonite community, though not integrated, using their own schools and not paying taxes, have made a formidable contribution to modernising Belize in less than 20 years through their development single-handed of dairy and poultry farming. This European protestant communal work ethic applied to near tropical conditions is perhaps the most curious phenomenon in an extremely colourful society that loves reggae and the gospels, the Pope and the Queen.

Important advances in developing new crops

Agriculture and forestry

AGRICULTURE, forestry and fisheries are the biggest single contributors to Belize's economy, responsible for roughly half GDP. Although traditionally dominated by the sugar industry, important advances have been made by new crops and this sector is destined to play a vital role both in import substitution and export earnings for the foreseeable future.

According to Government surveys, no more than 38 per cent of the land is potentially suitable for agriculture. Against this, less than 15 per cent of cultivatable land is being utilised.

Knowledge of crops and the development of a dairy and meat industry are still in their infancy, because with the exception of sugar—and to a much lesser extent cocoa, citrus and bananas—modern methods with a big capital input are recent phenomena.

Large holdings, either Government-leased or privately-owned, account for 60 per cent of existing productive land. Much is in foreign hands. However, small farmers with holdings up to 30 acres, to be found mainly in the north around Corazel and Orange Walk, comprise the largest single group.

Operating usually on a subsistence level are the "misperos"—farmers who operate a slash-and-burn technique to plant corn, beans and rice.

Separate from the large corporate-controlled agri-business and these two latter groups are the Mennonite farmers. Through their unique process of collective ownership, they have colonised previously unused land and in the past 20 years converted this into a series of highly productive medium-sized farm units that now supply the domestic market with dairy and poultry products, plus many varieties of fresh vegetables.

The crisis in the sugar industry is discussed on this page, but it is worth stressing here that despite cutbacks in production and considerable hardship to many small cane farmers, sugar will continue to be the most important export commodity for at least five years.

An intriguing experiment is the growing of cocoa, believed to be indigenous to Belize. The U.S. chocolate company, Hershey, started an experiment on the Hummingbird Highway, south of Belmopan, five years ago. Having established it was possible to grow high quality cocoa in the area, Hershey decided to plant 1,800 acres, but at the same time encouraged its own workforce and local farmers to grow their own on plots promising to buy-in production at guaranteed international prices.

The U.S. Government has become involved in the project in association with two private aid groups, considering this to be an important experiment in developing incomes and skills of small and medium sized farms, while also aiding Belize's exports.

This successful experiment in a new crop has been slightly overshadowed by unrewarding efforts to go in for large-scale rice farming. Up to 2,000 acres were planted in an export orientated venture but exports fell from 1,200 tonnes in 1981 to 136 tonnes the following year and now the operation is up for sale.

The timber industry, too, has suffered because of competition from Brazil, especially mahogany. An effort is being put into reafforestation, particularly pines, and studies are being made of fast growing hardwoods. The trouble with Belize's valuable mahogany is that during the colonial period there was no replanting on any scale and current stocks are in increasingly inaccessible areas.

Lack of roads is a general constraint on agriculture. Potentially good land cannot be used because of sheer inaccessibility. The Government does not have the funds to aid this type of investment if it is away from populated areas.

The fisheries sector has fewer constraints and has been playing its part in boosting exports. The main export item is lobster, followed by conch; but latterly, mariculture has begun to take hold, especially shrimp farming.

Of the BZ$12m worth of fish-product exports, nearly 90 per cent is accounted for by lobster sales. The Government operates tight rules that include a closed season (March to June), minimum sizes and an annual quota of 270 tonnes.

Unfortunately, the system tends to break down in the south where, lacking fisheries protection vessels, it is comparatively easy for Guatemalan and Honduran poachers to operate.

Major agricultural commodities in Belize (formerly British Honduras) include sugar cane, bananas, oranges, grapefruit, rice, corn and honey. Banana production last year was 22m lbs

Keen eye on U.S. markets

Citrus fruit production

A VAST rain forest with 90-foot high trees, and some of the finest wildlife in Central America — from jaguars to howler monkeys and wild occelated turkeys — is about to become the focus of the exciting agribusiness venture in Belize. Minute Maid, a Coca Cola Foods subsidiary, has bought up 50,000 acres and is due to convert primary forest into orange groves.

The land is about 40 miles north-west of Belize City, and it will be breaking new ground if citrus can be successfully grown in this area. Until now a small but burgeoning citrus industry has grown up around Stann Creek south of Belize City in what appears a uniquely suitable micro-climate.

The rationale behind the venture which could lead to investments of $200m over the next decade is vital for the future of Belize's agriculture. Minute Maid is a prime supplier to the U.S. market of fruit juices, especially orange juice.

At present the main source of its external supply has been Brazil and with domestic supply from Florida.

The Florida citrus crop has been hit by successive years of unseasonable winter frost. Older trees have also been hit by disease and now it is feared that many seedlings in nurseries which take over five years to mature could also be suffering canker. This has given the Brazilian producers, who export over $1bn-worth of orange juice a year, a privileged selling position. Minute Maid has accordingly been looking around for alternative and cheaper means of supply.

Studies were made of large-scale citrus ventures in Costa Rica and Egypt. But both were discarded in favour of Belize. The experience of citrus has so far proved positive in Belize.

Some 360 farmers are involved producing essentially for two concentrate-processing companies at Stann Creek (one of which is linked to Nestlé).

The two companies own 36 per cent of the groves, and they have succeeded in being an important catalyst to the local farmers in terms of use of fertilisers, credit management and crop improvements. Citrus product exports, mainly concentrate, have risen from BZ$13m to BZ$20m since 1981.

This is a proven track record, though on an admittedly small scale — Minute Maid is considering an initial planting of 25,000 acres five times the entire current area under citrus.

But there were other attractions for the venture. Belize is within the Caribbean Basin Initiative (CBI) and accordingly orange concentrate imports are tariff-free.

The transport costs are also both cheaper and the journey shorter. From Belize to Florida it takes a quarter of the time and a much smaller vessel is needed instead of the costly specialised container ships from Brazil, which also incur greater demurrage charges. Even with higher wages in Belize it is considered possible to save $2 per box of oranges.

If the experiment works, then Belize could become a major world producer of orange concentrate with its trade picture transformed.

Loans by sectors

Sectoral distribution of Commercial Bank loans and advances, 1983-84 (shares of totals). Figures in BZ$m

Sector	Loans outstanding at end of period 1983	1984	Change in year 1984-83
Agriculture	17.2 (12.2)	16.7 (10.9)	−0.5 (−1.3)
Sugar	8.1 (47.1)	6.6 (39.5)	−1.5 (−7.6)
Citrus	4.4 (25.6)	5.2 (31.1)	+0.8 (5.5)

Still the leading export commodity

Sugar production

IN THE heyday of Tate and Lyle's involvement in the sugar industry, the UK company decided to build a small museum beside its refinery at Libertad, near Corozal in northern Belize. That refinery is now in the process of becoming a museum. The refinery is in the final stages of being mothballed, following Tate and Lyle's decision to cut its losses in the Belize sugar industry and effectively withdraw.

Tate and Lyle's decision, first revealed in 1983, is an undoubted blow to Belize. The company had invested in land (originally this included a cattle ranch), two refineries and major infrastructure in northern Belize in the Corozal-Orange Walk area which made this the best developed part of the country. Tate and Lyle was also the most visible foreign investment.

From the Prime Minister, Sr Manuel Esquivel, downwards, there is a great sense of loss and an element of bitterness—not because they disagree with the company's commercial logic, but because the retreat has been so quick.

Tate and Lyle bought into Belizean sugar in the 'sixties, taking over the Libertad refinery which dated back to the 'twenties. Its presence became the Belize Sugar Industries (BSI) which expanded to another refinery at Orange Walk, giving a total refining capacity of nearly 120,000 tons of sugar.

Latterly, BSI has been relying largely on local farmers to supply cane with some 25,000 acres under cultivation. The total number of farmers involved in growing is 1,000, most of whom possess small holdings. Since the collapse of the international sugar price, in 1981, production has been averaging 100,000 tons.

Belize has been particularly adversely affected by the international decline in prices and the smaller quotes for the valuable U.S. market. This is the result of the structure of its sales.

Belize has relied on two main markets—the U.S. and the EEC. Sales to the U.S. have been governed by quotas since 1982 and sales to the EEC have been under the Lome Convention.

The U.S. has been a smaller but more profitable market with 29,000 long tonnes sold in the 1984-85 season at an average price of BZ$841 per tonne; while the EEC took 42,000 long tonnes at an average of BZ$600 per tonne. This compares with an international spot price almost three times as low as that paid by the EEC.

Since the price of sales to the EEC are denominated in sterling and Belize is linked to the U.S. dollar on a 2-for-1 basis, revenue has lost out through depreciation of the British currency against the dollar. BSI estimates that the cumulative effect of sterling's depreciation against the dollar since 1980 has caused a $76m loss, greater than the value of a single year's sugar crop. Added to this, the U.S. has been reducing quotas and in September it was announced the quota for the new season would be just below 20,000 tonnes.

These adverse conditions have been reflected in BSI's balance sheet, with losses mounting from BZ$2.8m in 1983 to probably over BZ$13m this year. Tate and Lyle's decision to withdraw was agreed in October, 1984, but the final details of this withdrawal were only tied up in August.

The arrangement is that the liberated plant closes down and 560 workers lose their jobs. However, part of the latter will be offered 20 acre plots of land, currently owned by BSI.

All refining will now be done at the second plant at Tower Hill near Orange Walk, which has a book value of £32m and an expanded capacity of 80,000 tonnes.

Some farmers will now have to bear the cost of transporting cane up to 40 miles, and it is expected that these will be among the first to convert, possibly to cattle ranching.

BSI as a company will be transformed by a new share structure. A special trust on behalf of the workforce will hold 81.27 per cent of the shares. These shares will pay no dividends to the workforce for 10 years and if there are any during this period they will go to Tate and Lyle.

Many hurdles to be overcome

Scope for tourism

IT IS EASY to become excited about the possibilities of tourism in Belize. The Prime Minister, Mr Manuel Esquivel, has singled out tourist development as one of his Government's priorities as a means of job creation and generating foreign exchange. But at the moment there is a wide gap between talking of Belize's potential and realising it.

The scale of tourism is such that it can scarcely be called an industry. Throughout Belize there are just under 140 hotels offering some 1,400 beds. None of the hotels could be considered internationally top class; nor do they pretend to be. Rather they are a genuine reflection of the country itself—small, unpretentious and what is lacking in service or amenities is compensated for by friendliness and atmosphere.

The present amount of tourism has evolved from four sources:

Firstly, there are the divers who have come to enjoy Belize's remarkable barrier reef — the largest in the hemisphere and second only to Australia's Great Barrier Reef. The barrier reef and the small hotels and lodging houses established, mostly by fellow diving enthusiasts, on the offshore cays have led to a word-of-mouth reputation.

Secondly, Belize has attracted a group of adventurous tourists, mostly American, interested in the fauna and flora, its sizeable Mayan ruins and the very fact that the country is so little known and developed.

Thirdly, a substantial amount of existing facilities, whether inland or on the cays, have grown up as a result of the British military presence and the relatively quick rotation of troops.

Finally, there is a certain amount of movement from Guatemala, Honduras and Mexico to buy goods, especially liquor. In the case of Mexico, residents in parts of Yucatan and Quintano Roo states have discovered it is quicker and cheaper to reach Miami by air from Belize City.

The order of importance of these groups is uncertain since there are no reliable studies. In any event the airport handles some 80,000 visitors a year, (businessmen or tourists). The number coming overland either from Central America or Mexico is not known, but is unlikely to be more than 20,000.

Thus the total number of visitors in a year is around 100,000. The Central Bank recently made some crude estimates of tourism earnings, giving a low of Bz $9m and a high of Bz $13m. The same study, based on questioning departing visitors at the airport, showed the average daily expenditure for those taking holidays was US$80.

Those visitors exclusively going to the cays tended to spend more and in the case of the most developed centre, San Pedro on Ambergris Cay, expenditure was over US$100 per day.

All this activity has evolved on an ad hoc basis with little promotion. Indeed, the present Government feels that its predecessor paid insufficient attention and certainly some of the previous ministers were against the idea of Belize's 150,000 population playing host to a greatly superior number of visitors.

First steps

Having given tourism priority, Mr Graham Esquivel now has to break the vicious circle: Belize cannot attract tourists unless it possesses the infrastructure—and a poor country cannot invest in infrastructure unless it knows there will be a return. The first step forward will be a selective campaign to make both investors and tourists aware of what Belize has to offer. Its principal assets are proximity to the U.S., English as the official language, and political stability.

Belize is two hours from Miami by air and has three daily flights, plus regular connections to Houston and New Orleans.

By road, it can be reached in two days through Mexico (but hard driving). Conflict in Central America has had a very negative impact on tourism from the U.S. in the region yet the fact that Belize enjoys political stability and is English-speaking should help in distancing any negative association with its neighbours.

On the back of these assets the real tourist attractions can be sold. Although the Mayan ruins are not on the scale of those in Guatemala and Mexico, there are over 600 sites (and certainly more as yet undiscovered) of which at least five have been developed to show to tourists.

The extent and variety of Belize's tropical fauna and flora is unparalleled in the region as a result of the limited pressure on land from the population.

Over 90 per cent of the country is still covered by forest which house many species of animals and birds that are either rare or extinct elsewhere.

The Government plans to establish three large wildlife reserves and to develop an equivalent of Kenya's Tree Tops, in this instance to observe mainly jaguar.

As for the barrier reef, it is already recognised as an exceptional place to observe Caribbean marine life, and the flat, sandy cays attract the most tourists.

On the cays, adequate supplies of fresh water have to be assured. A serious effort will have to be made to eradicate or at at least control mosquitoes in the wet season (June to October)—if not it will be harder to sell all-year-round tourism and it is doubtful whether hotel and infrastructure investments can be justified on a short high season during the dry months from December to April.

Beyond this, anything but a very modest expansion will put great strains on the labour market and encourage illegal immigration.

Finally, the price factor cannot be ignored. Because Belize has to import so much and distribution costs are high, holidaying in Belize is not cheap and competition will be fierce with other centres in the Caribbean.

FT COMMERCIAL LAW REPORTS

Non-party not liable for costs

AIDEN SHIPPING CO LTD v INTERBULK LTD

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Parker and Lord Justice Croom-Johnson); October 10 1985

WHERE TWO sets of proceedings are heard together for convenience but cannot be consolidated because the parties have different interests, the court has no power to order that costs incurred in one as a result of the other be paid by a party to the other if he was not also party to the proceedings in which they were incurred.

The Court of Appeal so held when allowing an appeal by Aiden Shipping Co Ltd, owners of the Vimeira, from Mr Justice Hirst's decision that costs incurred by charterers, Interbulk Ltd, in proceedings to extend the scope of the remission of an arbitration award made in favour of sub-charterers against the charterers, could be recovered from the owners.

Section 51 of the Supreme Court Act 1981 provides: "... the costs of and incidental to all proceedings ... in the High Court ... shall be in the discretion of the court and the court shall have full power to determine by whom and to what extent the costs are to be paid."

* * *

SIR JOHN DONALDSON said that in December 1979 the Vimeira visited Ghent and damaged the rudder. She was under charter to Interbulk which had sub-chartered her to International Corn.

The owners made claims against the charterers under the head charter, and they in turn made claims against the sub-charterers under the sub-charter. Each charter contained an arbitration clause. Separate arbitrations ensued.

Awards were duly made in both arbitrations, and both were remitted for further consideration. Disputes arose as to the scope of the remission.

The Court of Appeal held that it was insufficiently wide to permit certain arguments which the owners wished to advance in the head charter arbitration, and which the charterers wished to resist in that arbitration but to put forward against the sub-charterers in the other arbitration.

In the light of that decision the owner in the head charter arbitration and the charterers in the sub-charter arbitration issued notices of motion in the Commercial Court seeking a further or wider remission.

The applications were heard and refused by Mr Justice Hirst. The issue of costs then reared its head, and that was what the present appeal was about.

The charterers contended that, in so far as they were required to pay the sub-charterer's costs, that liability could be passed on to the owners and enforced by an order made in the proceedings relating to the head charter arbitration.

Once the owners sought to widen the scope of the remission in the head charter arbitration, the charterers were bound to take similar action in relation to the sub-charter arbitration if they were to avoid the risk that under a revised award they might find themselves liable to the owners but unable to pass that liability on to the sub-charterers.

Justice therefore supported the charterers' claim to be indemnified.

The owners, however, took the point that there was no jurisdiction to make such an order.

Mr Justice Hirst made an order on the motion relating to the head charter arbitration that "the [owners] do pay the [charterers'] costs of this application (such costs to include any costs paid by the charterers to the sub-charterers in the sub-arbitration proceedings)."

The owners now appealed.

The judge held that he had jurisdiction to make the order because (1) the costs were "incidental" to the proceedings between the owners and charterers, and section 51 of the Supreme Court Act therefore applied; and (2) on the authority of *Bremer v Westzucker [1981] 2 Lloyd's Rep 130 and Court of Appeal transcript May 15 1981* the proceedings should, in the circumstances, be deemed consolidated, thus overcoming any objection to making an order in one set of proceedings in relation to the costs of another.

The charterers were entitled to be paid the costs incurred in resisting the proceedings launched by the owners. The liability which they incurred to the sub-charterers was as much a consequence of the owners' actions as was the liability which they incurred to their own solicitor and counsel. Why should one be recoverable but not the other?

On occasions the law and justice got out of step. The question was whether this was such an occasion.

Section 51 of the 1981 Act was the only relevant source of any jurisdiction which the court might have to make the order for costs. The wording was extremely wide, but was subject to two limitations.

The first was that the costs were "of and incidental to" proceedings in the High Court. The second, which was implied, was that the court did not have an unlimited jurisdiction to order any citizen to pay the costs of a successful litigant, regardless of whether he had any connection with the proceedings.

The charterers were ordered to pay the sub-charterers' costs "of and incidental to" the proceedings in respect of the sub-charter award. The owners were not parties to those proceedings. The charterers' liability was *consequential upon* the proceedings in respect of the head charter award, to which the owners were parties, but it was not part of the costs of or incidental to those proceedings.

The nature of the implied limitation was considered by the Court of Appeal in *Forbes-Smith [1901] P 258, 271* where Lord Justice Collins adverted to section 5 of the Supreme Court of Judicature Act 1890, which was in similar terms to section 51.

He said: "Some limitation must be put on the generality of the words. They cannot enable the court to order the costs to be paid by a stranger to the proceedings. They can only mean that the court may order the costs to be paid by any of the parties."

That decision was still binding authority in relation to the scope of section 51, as was clear from the Court of Appeal decision in *John Fairfax and Sons [1958] 1 QB 323* which was not brought to Mr Justice Hirst's attention.

In that case two actions were ordered to be tried together, as in the present case. Lord Justice Parker observed at page 331 that the interests of justice required that where consolidation was not possible but actions were ordered to be tried together, the court should have power to make a "global order in regard to costs."

He held, however, that there was no such power.

In the light of those authorities it was clear that Mr Justice Hirst had no power to make the order, unless it could properly be said that in some way the proceedings on the two motions to remit became one single set of proceedings.

That could only be done by consolidation or treating the sub-charter arbitration proceedings as "third party" proceedings, dependent on and part of the head-charter arbitration proceedings.

In *Westzucker* the Court of Appeal was concerned with appeals in actions which had been tried together because they concerned string "back-to-back" contracts on Gafta (Grain and Feed Trade Association) forms.

The court was referred to none of the authorities and dealt with the matter in a very robust way, saying simply that if it was necessary to consolidate, it would treat the appeals as having been consolidated when the first appeal was called on.

In the circumstances the decision should not be treated as authoritative.

All concerned in the present dispute had agreed below that it was sensible and convenient for both proceedings to be heard together. It was difficult to see how they could have been consolidated.

In consolidated actions parties with the same interest were represented by the same solicitor and counsel. In the present case the charterers' interests were allied to those of the sub-charterers only in the head charter proceedings. Common representation was therefore impossible.

The rules of court did deal with situations in which a party resisted a claim against him and in the alternative made a claim against someone else. That was the classic "third party" situation, which was the subject-matter of Order 16 of the Rules of the Supreme Court (RSC).

Order 16 appeared to apply only "where in any action a defendant, who has given notice of intention to defend ..."

"Action" could probably include a motion, but a problem was posed by "notice of intention to defend." That was a term of art defined by RSC Order 1 rule 4 as meaning "an acknowledgement of service containing a statement to the effect that the person by whom ... it was signed intended to contest the proceedings ..."

In proceedings begun by originating motion the Rules made no provision for an acknowledgement of service containing such a statement.

It was therefore quite impossible to treat the sub-charterers as third parties within the meaning of Order 16 and so create a situation in which there was only one set of proceedings.

The appeal would be allowed, with regret, and the words in parenthesis in the judge's order deleted.

It was a quarter of a century since Lord Justice Parker drew attention to the problem, and it was hoped that the Supreme Court Rules Committee would now produce a solution.

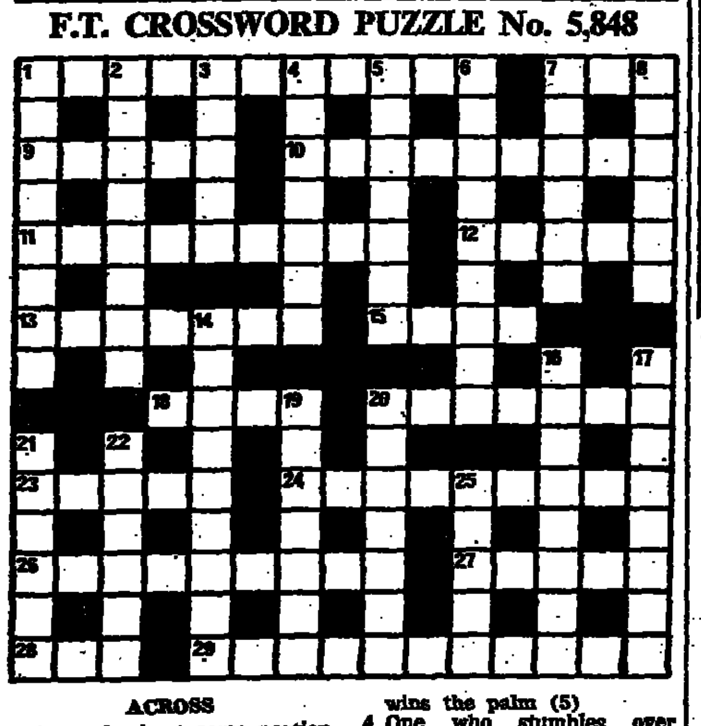
Lord Justice Parker and Lord Justice Croom-Johnson agreed.

For the owners: David R. N. Hunt (Middleton Lewis Lawrence Graham, for Ingledew Botterell and Roche, Newcastle-upon-Tyne).

For the charterers: Bernard Rix QC and Simon Gault (William A. Crump and Son).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,848



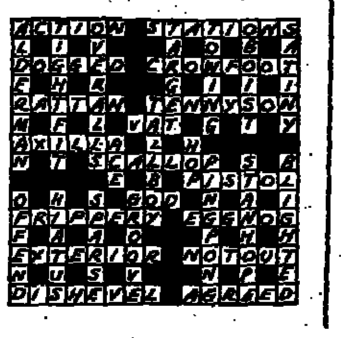
ACROSS

1 Remark about some portion of the train (11)
7 Blame reversal of standard (3)
9 Man at club wanting to have a dip (5)
10 Tax on water leading to fraud (9)
11 Adore fruit with tomato (4-5)
12 One who acts for a long time by the book (5)
13 He may persuade one to repeat passage about new leader's backing (7)
15 Favourites returning to stage (4)
18 Bird in a bit of a tangle (4)
20 Pinter play having a point about Peter (7)
23 Horseman having second thoughts (5)
24 Annulled "Get abroad" order (9)
26 Ample justification for worth-while charity (4, 5)
27 Trim soldier in enclosure (5)
28 Drink for child (3)
29 Little chance of seeing Shakespearean comedian (7, 4)

DOWN

1 He has designs to hold dance in race-course (8)
2 Induce doctor to go to gallery about four (8)
3 Taking care about article wins the palm (5)
4 One who stumbles over tourist? (7)
5 Force out in haste (7)
6 Will mates fall out in tent? (9)
7 Way head diplomat is put to flight (6)
8 Fairly attractive (6)
14 Shrinks from agreements (9)
16 Not much energy for examination (6, 2)
17 Watching over five couples on the floor? (8)
19 Defame paintings put up by Italian leader (7)
20 Betoken bottle running out? (7)
21 Shock for king in battle (6)
22 Showing address or perhaps road to it (6)
25 He is amazed to see traveller pick up silver (5)

Solution to Puzzle No. 5,847



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Special Situations	50.6	53.9	+0.1	1.40
American Growth	25.7	27.4xd	+0.1	1.10
Japan Growth	34.2	36.4	+0.1	—
European Growth	38.6	41.2	+0.3	3.30
UK Growth	39.9	42.6		—
Pacific Growth	31.9	34.1	-0.1	1.80
High Income	28.0	29.9xd	—	7.40
Practical Income Units	41.0	43.6xd	+0.1	3.1
Practical Accum. Units	73.7	78.5xd	+0.2	3.1

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	64.4	68.5	—	3.19
Accum Units	95.1	101.2	-0.1	3.19
Pearl Inc.	90.2	96.0xd	-0.3	5.12
Pearl Unit Tst.	95.4	101.5	-0.4	4.05
(Accum. Units)	161.3	171.6	-0.6	4.05

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	190.7	204.7	+0.4	1.95
Income	143.9	154.1xd	-0.8	5.99
Worldwide Recovery	105.0	112.7	-0.1	2.71
American Growth	52.8	56.7	+0.7	1.12
Intl. Emerging Cos	58.6	62.9	+0.2	0.75
Far East Growth Fd	50.3	54.0	-0.1	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	110.9	118.8xd	-0.6	0.23
Prolific Extra Inc.	63.7	67.8xd	-0.3	5.85
Prolific Gilt Cap.	84.2	87.6	+0.1	3.14
Prolific High Inc.	138.3	147.1	-1.0	5.07
Prolific Intl.	83.1	89.0xd	+0.2	1.93
Prolific N. Amer.	108.1	115.8xd	+1.6	2.44
Prolific Spec. Sits.	151.3	161.0	-0.4	1.52
Prolific Technology	94.9	101.7	+0.8	0.77

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	53.6	56.8xd	-0.2	—
Worldwide	49.1	52.0xd		1.90
European Trust	56.5	59.8	+0.5	1.98
North American	46.3	49.0	+0.6	2.42
UK Equity	52.2	55.3	-0.1	3.85

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)
99-101 London Rd, Sevenoaks. 0732 450161

Equity Dist.*	219.9	232.6		4.07
Equity Acc.*	261.0	276.1		4.07
Fixed Int. Dist.†	119.6	123.9		10.91
Fixed Int. Acc.†	168.8	174.9		10.91

*Prices on Oct 9. Next dealing Nov 13. †Prices on Oct 2. Next dealing Nov 6.

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants. SP10 1PG
0264 62188. Dealings to 0264 63432-3

TSB American	89.0	94.7	+0.8	1.53
Do. Accum.	92.6	98.6	+0.9	1.53
TSB Extra Income	85.1	90.6	-0.3	6.39
Do. Accum.	98.2	104.5	-0.4	6.39
TSB General	122.7	130.5	-0.3	3.37
Do. Accum.	198.7	211.3	-0.7	3.37
TSB Gilt & Fxd Int	48.0	50.0	...	9.18
Do. Accum.	59.9	61.8	+0.1	9.18
TSB Income	170.3	181.5	-0.7	4.95
Do. Accum.	256.8	273.2	-1.2	4.95
TSB Pacific	107.6	114.5	-0.2	0.71
Do. Accum.	110.3	117.4	-0.2	0.71
TSB International	230.9	245.7xd	+1.0	2.04
Do. Accum.	283.3	301.4	+1.1	2.04
TSB Natural Resources	43.2	46.0xd	+0.1	2.14
Do. Accum.	44.0	46.9	+0.1	2.14
TSB Scot. Opps.	47.6	50.7xd	-0.2	2.25
Do. Accum.	51.8	55.2	-0.2	2.25

3i & Target Fund Mgrs Ltd
2 St Mary Axe, London EC3A 8BP 01-928 7822

Small Co's Fund	65.9	70.4	+0.9	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	63.1	67.4	+0.7	0.62
Australia	31.9	34.1	-0.3	0.10
Commodity	81.9	88.1	-0.3	1.97
Energy	37.1	39.7	-0.2	2.32
Equity	103.5	110.4	-0.7	3.57
European Spec. Sits.	59.7	63.8	+0.1	1.23
Extra Income	92.3	98.7xd	-0.2	7.26
Financial	208.1	222.0xd	+0.6	2.45
Gilt Capital	226.9	237.6	+0.1	3.25
Gilt Income	102.0	106.8	...	8.36
Gold Income	56.4	60.3	-0.4	1.60
Gold Acc.	102.7	109.8	+0.1	1.60

[illegible]

INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ..... $12.72 | +0.13 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ..... $13.44 | +0.07 | —
Inv. Adv: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ..... $10.59 | +0.02 | —
Dynamic Grth Fd ..... $9.62 | +0.05 | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.25	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.43	8.55	12.54	6mth
7-day Fnd	11.59	8.66	12.71	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.63	8.69	12.80	6-Mth
7-day Fund	11.08	8.28	12.18	6-Mth
Dollar	6.87	—	—	6-Mth
Money Mngt. Acct.	11.00	8.25	12.27	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc	11.25	8.00	11.78	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.25	8.41	12.58	Qtr
Mth. Int. Chq.	11.125	8.33	12.56	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4 01-283 9111				
HIBCA	11.50	8.60	—	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	11.00	8.22	12.18	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.0	8.25	12.32	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.13	8.32	12.34	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.13	8.32	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Money Market Plus	—	9.57	14.28	Mth
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.00	8.97	13.26	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	11.00	8.22	12.27	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc	11.50	8.59	12.76	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc	11.00	8.22	12.18	Mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
HighIntCheque Account	11.25	8.25	12.32	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	11.500	8.596	12.280	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H.I.C.A.	11.125	8.31	12.35	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8665				
High Int Chq Acc	10.70	8.00	11.93	Qtr
£10,000 +	11.17	8.35	12.47	Qtr
Provincial Trust (formerly Choulartons) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc	11.50	8.60	13.00	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	11.0	8.22	12.11	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	10.83	8.10	12.05	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	11.18	8.36	12.48	Qtr
Money Acc	11.03	8.25	12.31	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	11.15	8.33	11.90	Mth
Over £10,000	11.40	8.52	12.17	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int Chq Acc	11.69	8.74	12.90	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown as last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	38	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min	3½
GKN	28	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Indian tea export move made 'too late'

By P. C. Mahanti in Calcutta

INDIA'S TEA indsutry has greeted the Government's move last week to scrap all restrictions on tea exports with only two cheers.

While the move—which came two months after the abolition of the minimum export price—has been unanimously welcomed, many people involved in trading and producing tea feel it was long overdue.

Mr Jeshi Rikhye, chairman of th: Indian Tea Asociation, said it had come too late to serve the purpose of boosting exports to the targeted level of 220m kg this year.

According to industry estimates, no more than 140m kg could have been shipped by September. The relatively high minimum export price kept overseas buyers away from July, when London auction prices had plunged to around 110p, compared with their average of 287p during 1984.

And even if buyers were available for the remaining three months of the year, finding shipping space for some 80m kg in that time would be extremely difficult.

As a result, the trade believes that the most India can hope to export this year will be around 210m kg, at prices sushtantially below those realised in 1984.

Considering the cheerless export outlook, there are fears that the domestic market will be depressed by a glut of tea, particularly of the key CTC (crush, tear and curl) variety.

In 1984, domestic consumption increased only marginally to 40 kg, well behind the officially assumed figure of 420m, which left 30m kg to be carried over into 1985. Total output last year was 645m kg, of which 215m was exported.

This year, output has continued to roar ahead. The official target is 65m kg, but up to the end of August some 409m had already been produced, 20m kg up on the level in the same period last year. World output, too, is on the increase—some 65m kg higher than 1984 by the end of July.

An influential section of the indsurty therefore feels that production should be regulated if prices are not to fall to uneconomic levels. The average Indian auction price during the first eight months of this year was Rs 25.35 per kg compared with Rs 29.07 a year ago.

Some large tea companies are already reported to be pursuing a more selective plucking policy and the rate of growth in Indian tea output has been appreciably curtailed. There is an industry-wide move to close the north Indian season in November—a month ahead of the normal plucking season.

According to Mr Rikhe, another major official control on the industry needs modifying: the obligation on the industry to send 75 per cent of its output to auctions. This has started hurting the weaker and smaller gardens, many of which have been realising a ridiculously low price of only Rs 10 a kg. They should be freed from the auction obligation and allowed to sell directly from the gardens or in more remunarative ways, Mr Rikhe suggests.

LONDON METAL EXCHANGE WEEK

U.S. attacks World Bank on copper over-capacity

BY STEFAN WAGSTYL

A SENIOR U.S. Commerce Department official yesterday hit out at multilateral funding agencies, including the World Bank, for backing new copper mining projects in developing countries.

Mr Robert Riley, director of the department's metals and commodities office, blamed the agencies for funding the development of excess capacity in the industry.

His remarks reflect the anxieties of U.S. copper producers which have been forced to cut back production in the 1980s in the face of over capacity.

They also follow sustained pressure in the U.S. Congress against multilateral lending to foreign copper mines. In July, a Congressional conference committee agreed on measures designed to cut off development loans which would increase foreign copper production.

Mr Riley spoke in response to a speech made by Mr Jean-Loup Dherse, vice president for energy and industry at the World Bank, to a copper industry conference in London.

Mr Dherse said that over the last three years there had been a change in outlook at the world bank. The bank was now lending mainly for restructuring existing capacity in developing countries, not for opening up new capacity. Producing countries were now more responsive to the need to restructure their industries and to operate them more efficiently, said Mr Dherse.

But Mr Riley said: "The World Bank has to take some responsibility for a lot of the capacity which has been coming on stream over the past 10 years." If the bank now needed to lend to restructure, it was because of the loans it made for expansion 20 years ago.

Mr Dherse said the last loan the World Bank made for new capacity was in 1978. Mr Riley said afterwards that this might be true, but other multilateral agencies had continued funding new projects, including the Inter American Development Bank, which had lent $268m to Chile to expand copper output in 1982.

The conference, arranged by Commodities Research Unit a research company, heard more about the difficulties of U.S. producers from Mr Douglas Yearley, senior vice president of Phelps Dodge Corporation. He warned that any future drop in copper prices could threaten even the lowest cost producers. This danger had to be recognised now not only by producers but also by the multilateral financing institutions. "It would be tragic if the pain and hardship of this industry's rationalisation were to be to no avail."

Mr Yearley also gave details of a planned international study group for copper, to be formed possibly under UN auspices. U.S. government approval was shortly expected for the group which was already backed by Chile, Canada and Japan.

He said a planned high grade copper contract along the lines of one already traded on the London Metals Exchange could be launched on the Mid-America Exchange in Chicago by mid-1986. It would replace the Mid-America's existing copper contract and meet LME specifications for higher grade copper cathodes.

Meanwhile in New York the Comex exchange was also working towards a high grade contract. Only time would tell which U.S. contract would survive, said Mr Yearley.

Exchange backs regulatory body

BY ANDREW GOWERS

THE LONDON Metal Exchange last night confirmed that it would change its rules to force dealing and broking members to join the Association of Futures Brokers and Dealers (AFBD), the fledgling self-regulatory body for London's commodity markets.

Mr Ted Jordan, chairman of the LME committee, told the exchange's annual dinner: "Regulation is inevitable, but self-regulation through the AFBD will be infinitely preferable to governmental control. I believe it is most important that we should keep it this way."

The LME's committee and Board have agreed in principle that they will change the exchange's rules to bring them in line with those of the AFBD at a date to be announced later. The precise form of the changes is not yet clear as the AFBD's own rules have not been finalised.

The news will come as a boost for the Association, which has been struggling to overcome considerable opposition among commodity trading companies to the potential costs which membership is likely to involve.

Hostility to the AFBD has been particularly rife among member companies of the LME. They have maintained that the Association's aim of investor protection is not relevant to the exchange, which is primarily designed for trade hedging.

However, an increasing number of members have come to accept that some form of regulation is inevitable. The Government is due to set out its precise aims in this regard in a Financial Services Bill to be published later this year.

Mr Jordan also spoke gloomily of the drop in trading volume on the exchange. Copper and aluminium trading are 7 per cent and 12 per cent lower respectively this year. Lead, zinc and tin are between 25 and 35 per cent down, and nickel and silver have dropped more than 45 per cent.

"The volatility of prices has been more closely associated with the violent fluctuations in currency rather than the supply and demand of metals," Mr Jordan observed.

He stressed that since the recent problems in the zinc and tin contracts in particular, the exchange had improved its early warning system.

EEC beef farmers oppose dairy plan

BY JOHN DAVIES IN FRANKFURT

EFFORTS TO reduce the 1m tonne EC butter mountain look set to wipe out the faint signs of recovery in the equally depressed beef sector, livestock lobbyists have warned the European Commission.

Specialist beef farmers, still reeling from the impact of cow culling provoked by the milk "superlevy," believe that a new outgoers scheme for the dairy industry will bring a fresh wave of meat on to an already glutted market.

Since the quotas on milk output were introduced, industry estimates put additional Community slaughterings at up to 1.32m head. A forecast by the Milk Marketing Board of England and Wales now believes a further 90,000 to 100,000 head could be added in Britain alone over the next 12 months as a consequence of incentives for dairy farmers to halt production.

Original projections for UK slaughterings next year had expected a fall from this year's 1.1m to about 950,000 head next year, thereby relieving the pressure on beef prices. But additional cullings could now reverse the upturn in the beef cycle.

Beef prices per kilo have slipped from a June high of 106 pence two years ago to 97p this year—and this has only been sustained by the availability of cheaper feed supplied by the grains surplus. World demand, meanwhile, remains poor.

The specialist beef rearers also fear that any substantial cash aids paid to dairy farmers will be used by many to change to beef production, therefore adding to the pressure on stores now holding a record 800,000 tonnes.

Despite representations to Commission officials, dairy market managers look certain to press ahead with the outgoers scheme in plans due to be released shortly. Officials point out that in the longer-term a reduction in the dairy herd should aid beef prices.

EEC member states have approved an Ecu 9m programme of aids for livestock farmers in the Irish Republic and Northern Ireland hit by flooded feed crops. The deal for Northern Irish producers has been altered, however, in effect reducing the rate for cut-priced feed to only 8 per cent under intervention prices as opposed to the 25 per cent cut offered to the South.

Horns locked in Chicago futures battle

BY ALEXANDER NICOLL

IN THE land where competition is king, the rivalry between the Chicago Board of Trade and the Chicago Mercantile Exchange is about as keen and straightforward as they come.

Each claims to be ahead of the opposition. The CBT is the leader in terms of contracts traded, and is seeking to shake off a somewhat stodgy image with a range of innovative and aggressively marketed contracts. The CME points to the higher dollar value of its volume and to the successes it has scored in currency, stock index and short-term interest rate products.

In fact there is a good deal of mutual respect between the two exchanges which have some 80 per cent of U.S. futures business.

And as they go head to head in a key contest between rival over-the-counter stock index futures, the exchanges face criticism from the industry that too many new products are being produced, many of which are too similar to each other.

Some have voted with their feet. Amid the range of competitive stock index products already on offer, much speculative interest has centred on neither the CBT nor the CME, but the Chicago Board Options Exchange. Its Standard & Poors 100 option, known as the OEX, has higher contract volume than the top five U.S. futures contracts put together.

Exchange officials say the proliferation of contracts is not a problem. They point out that 75 per cent of futures trading today is in contracts that did not exist 10 years ago. "Every time the industry thinks that there are no new products to develop, the rate of new products increases," says Mr Tom Coleman, a CBT official.

Only two years ago, soyabeans and maize were the second and third most active futures in the U.S., after the CBT's own T-bond contract. The T-bond is still by far the most active, but the agriculturals have dropped sharply in the rankings. No doubt an upturn in demand for the commodities and a renewed bout of inflation would boost volume, but for the moment there are long faces. The CBT hopes to expand its agricultural business, in particular by getting access to options on wheat futures, through taking over the Midamerica Commodity Exchange. Members of both exchanges are due to vote on October 17.

"The Treasury bond futures and options are carrying the exchange through some tough times," says Mr Thomas Donovan, the CBT president. Among other debt-related contracts, the CBT has high hopes for recently-launched futures on a municipal bond index.

With the CME basically acknowledged as dominant in short-term interest rate contracts and currency products, the CBT suffered a crucial loss of edge when stock indices came on the scene three years ago. It applied to use the Dow Jones index, and then spent two fruitless years in the courts pressing its case. The CME meanwhile obtained the upper hand with S & P 500 futures.

The CME's advances on these fronts are reflected in its spanking new trading floor, which takes up about an acre in one square room. Of four segments of roughly equal size, one is given over to traditional commodities such as live hogs and cattle and pork bellies, while the other three are taken up respectively by currency, interest rate and stock index contracts.

Much is thus at stake in the battle, due to be joined later this month, between the CBT's NASDAQ-100 index futures and the CME's SPOC futures, based on an S & P index of 250 OTC stocks. It is virtually certain that there will be only one liquid marketplace for an OTC index future, and even that is not assured. Both exchanges have spent heavily on promoting the new contracts.

Further competition is likely to take place next year between rival zero coupon bond futures, and the CBT believes it has several other aces up its sleeve.

On the agricultural front, it plans more options on agricultural futures, believing that European traders may be more interested in the options than in the existing futures.

Among financial products, the CBT is revamping its GNMA futures contract, which originated financial futures trading 10 years ago, and making it cash-settled because delivery problems for the underlying securities have arisen since the contract's inception and substantially reduced volume. It plans futures on the repurchase agreements with which U.S. government bond dealers finance their positions by tapping institutions' surplus cash.

The CBT plans to trade futures on London and Montreal stock indices, and is also considering a series of foreign government bond futures, including yen bonds.

MOST ACTIVE CONTRACTS
(including options)

Contract	Exchange	Avge daily vol. 1st half 1985
T-bonds	CBT	151,500
S&P 500	CME	60,600
T-bond opts	CBT	41,800
Eurodollar	CME	36,300
Gold	COMEX	34,400
Soyabeans	CBT	28,200
D-mark	CME	25,400
Corn	CBT	24,000
Silver	COMEX	18,600
Swiss franc	CME	17,600

Source: CBT

LONDON MARKETS

BEARISH CHART patterns and a declining New York market pushed cocoa futures prices down in London yesterday. The March position finished £26.50 lower at £1,749 a tonne. Firmness in New York lifted London coffee values early in the afternoon. They then weakened, partly reflecting a modest upturn in sterling, but ended still holding the gains made in a late technical rally on Monday. On the London Metal Exchange copper prices were lower on sentiment but zinc, recently the weakest of the base metals, gained £5 in the cash position to £451 a tonne. Preussag, A. M. & S. (Europe) and Otokumpo announced they had followed the move started on Friday by Metallgesellschaft and emulated by other leading suppliers in cutting their European zinc selling prices by $50 to $730 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	686-7	+0.5	686/686
3 months	708-9	+0.5	714/707

Official closing (am): Cash 685.5-6 (690-1), three months 708-.5 (714-.5), settlement 686 (691). Final Kerb close: 710-1.

Turnover: 14,625 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or —	High/low
Cash	969-70	—7.5	968/968
3 months	991.5-2	—6.5	998/990

Official closing (am): Cash 967.5-8 (977-.5), three months 990-.5 (999-.5), settlement 968 (977.5). Final Kerb close: 992.5-3.

Cathodes			
Cash	948 50	—8.5	—
3 months	975-7	—8.5	974/974

Official closing (am): Cash 949-50 (956.8), three months 974-5 (984-6), settlement 950 (958).

Turnover: 16,425 tonnes. U.S. Producer prices 66.00-70.00 cents per pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	
Cash	281.5-2	+1.75	283/281
3 months	285.5-6	—0.5	288/285

Official closing (am): Cash 283-.5 (282-.5), three months 287-.5 (288.5-9), settlement 283.5 (282.5). Final Kerb close: [illegible]

Turnover: [illegible]

NICKEL

[illegible]

TIN

[illegible]

ZINC

[illegible]

GOLD

[illegible]

SILVER

[illegible]

JUTE

[illegible]

INDICES

FINANCIAL TIMES

Oct. 14	Oct. 11	M'th ago	Year ago
250.09	250.58	2654.54	292.16

(Base: July 1 1952=100)

REUTERS

Oct. 15	Oct. 14	M'th ago	Year ago
1700.0	1707.8	1740.1	1685.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct. 14	Oct. 11	Month ago	Year ago
Spot	116.67	115.60	—	124.08
Fut.	117.46	117.75	—	126.53

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	Oct. 15 1985	+ or —	Month ago
Aluminium	£1100		£1100
Free Mkt.	$1010/35	—5	$1095/25
Copper			
Cash h Grade	£969.5	—7.5	£1011
3 mths.	£991.75	—6.5	£1036.25
Gold Troy oz.	$327.25	+0.25	$318
Lead Cash	£281.75	+1.75	£297.5
3 mths.	£285.75	—0.5	£302.75
Nickel			
Free Mkt.	194/214c	+2	205/225c
Palladium oz.	$101.55	+1.85	$98.75
Platinum oz.	$322.25		$306.25
Quicksilver†	$270/280		$286/300
Silver troy oz.	442.80p	+2.40	446.75p
3 months	454.95p	+2.50	459.10p
Tin cash	£8795	—12.5	£9177.5
3 months	£8687	—5.5	£9115.5
Tungsten	$66.75		$67.32
Wolfram 22.0lb.	$62/68		$65/70
Zinc	£451	+5	£516
3 months	£456.5	+4	£522
Producers	$730		$780/830
OILS			
Coconut (Phil)	$440x		$430
Palm Malayan	$360u		$345
SEEDS			
Copra Phil	$285w		$280
Soyabean (U.S.)	$211.80		$213.1
GRAINS			
Barley Fut. Jan.	£109.80	+0.20	£104.85
Maize	£137.00v		£131.80
Wheat Fut. Jan.	£108.75	+0.45	£105.45
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1749	—26.5	£1788
Coffee Ft. Jan.	£1679	+4.5	£1701
Cotton A Index	48.70c	—0.65	53.60c
Gas Oil Dec.	$252.25	+4.5	$239.5
Rubber (kilo)	58.5p	—0.5	61p
Sugar (raw)	$130x	+3	$136.5
Wooltops 64s	418p kilo		428 pkilo

‡ Unquoted. x Oct-Nov. w Nov-Dec. v Nov. u Dec. † Per 75 lb flask. c Cents a pound.

COCOA

After an unchanged opening futures eased on commission house liquidation and closed on a weaker note. Actuals were largely neglected although lower prices aroused limited interest from the industry, reports Gill and Duffus.

[illegible]

COFFEE

[illegible]

FREIGHT FUTURES

[illegible]

MEAT

[illegible]

GRAINS

[illegible]

POTATOES

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

OIL

[illegible]

U.S. MARKETS

PRECIOUS METALS remained stady, reflecting a lack of fresh news and the uncertain direction of interest rates and the dollar, reports Heinold Commodities. Copper came under pressure as physical activity remained light. Aluminium moved slightly lower in sympathy with copper values. Sugar firmed as short-covering emerged in anticipation of Russian purchases. Concern over undershipments from Central American producers helped support coffee values. A lack of trade support weakened cocoa values. Cotton gained ground, reflecting mill pricing on good domestic demand. The energy complex firmed on short-covering, reflecting reports of tight cash supplies of gasoline and light crude. The grain complex came under pressure, with light seling in maize on the closing of the St Lawrence Seaway and improved harvest weather. Wheat remained steady to lower on a lack of interest. Soyabeans found underlying support on better meal demand.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	43.20	—	—	43.15
Nov	43.50	—	—	43.35
Dec	43.85	43.75	43.70	43.85
Jan	44.20	—	—	44.20
March	44.95	45.10	44.85	44.95
May	45.65	—	—	45.65
July	46.35	—	—	46.35
Sept	47.05	—	—	47.05
Dec	48.10	—	—	48.10

[illegible]

CHICAGO

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firmer but cautious

Dollar trading was relatively busy for a short time yesterday as traders altered positions after a long weekend in the U.S. For most of the time, however, there was little activity, reflecting a continued lack of direction. Tomorrow's U.S. third quarter revised GNP figures may revive interest but only if the figure falls outside market expectations.

For the time being the dollar was confined to a narrow trading range because speculators were reluctant to test higher levels in the face of further central bank activity. At the same time dollar sales by central banks have been minimal because of the current quiet nature of the market. Figures for U.S. business inventories were released yesterday but a decline in August of 0.4 per cent was in line with market expectations and had little effect on trading.

The dollar closed at DM 2.6615 against the D-mark, unchanged from Monday. Against the yen it finished at Y215.50 from Y215.40 and SwFr 2.1835 compared with SwFr 2.1810. It rose slightly against the French franc to FFr 8.1150 from FFr 8.1100. On Bank of England figures, the dollar's exchange rate index rose to 131.4 from 131.2.

STERLING—Trading range against the dollar in 1985 is 1.4400 to 1.0525. September average 1.3657. Exchange rate index 80.3 from 80.2 on Monday. It opened at 80.2 and stayed at this level until late afternoon when it rose to 80.3.

Sterling remained on the sidelines in very quiet and lack-lustre trading. While the dollar awaits tomorrow's U.S. third quarter GNP revisions, sterling may be hoping to gain some impetus from tomorrow night's Mansion House speech by Mr Nigel Lawson, Chancellor of the Exchequer. Sterling closed at $1.4125-1.4135 against the dollar, a fall of just 5 points. It finished at DM 3.7600 from DM 3.7625 against the D-mark but was unchanged against the French franc at FFr 11.4650. Against the Swiss franc it rose to SFr 3.0850 from SwFr 3.0825.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.6190. September average 2.8370. Exchange rate index 127.5 against 122.7 six months ago.

The D-mark was a little weaker against the dollar yesterday. The Bundesbank sold $49.1m at the fixing although the dollar was fixed higher at DM 2.6613 from DM 2.6560 at Monday's fixing. Demand for the U.S. unit stemmed from a reversal of short positions, established on fears of further central bank intervention. There were suggestions that the Bundesbank sold small amounts of dollar before the fixing. Consequently the firmer trend failed to attract any follow through demand and while turnover was good, the dollar was confined to a narrow trading range.

The dollar closed at DM 2.6615 up from DM 2.6600 on Monday and there were no signs of any further invention in the afternoon by the Bundesbank.

£ IN NEW YORK

	Oct. 14	Prev. close
£ Spot	$1.4127-1.4157	N/A
1 month	0.45-0.42 pm	"
3 months	1.15-1.11 pm	"
12 months	2.90-2.80 pm	"

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

October 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4105-1.4140	1.4125-1.4135	0.45-0.42c pm	3.69	1.14-1.09pm	3.16
Canada	1.9329-1.9395	1.9355-1.9383	0.56-0.47c pm	3.19	1.38-1.24pm	2.71
Nethlnd.	4.23-4.24½	4.23½-4.24½	2⅛-2c pm	5.84	5⅞-5⅝pm	5.42
Belgium	76.05-76.29	76.05-76.15	22-16c pm	3.00	51-41pm	2.42
Denmark	13.60¾-13.64¾	13.62¾-13.63¾	3⅞-2⅞ore pm	3.42	9¾-8⅞pm	3.05
Ireland	1.2121-1.2165	1.2155-1.2165	0.29-0.15p pm	2.17	0.67-0.41pm	1.78
W. Ger.	3.75¾-3.78½	3.75½-3.76½	2⅝-2¾pf pm	7.38	6¾-6⅝pm	6.58
Portugal	229.48-233.31	229.61-233.31	65-435c dis	−12.96	305-1375dis	−14.52
Spain	228.56-229.14	228.76-229.07	45c pm-20 dis	−0.86	10pm-140dis	−1.14
Italy	2,532¼-2,542	2,535½-2,536½	3-7 lire dis	−2.37	13-18dis	−2.44
Norway	11.17½-11.22¾	11.21¾-11.22¾	¾-1¼ore dis	−0.80	2½-3¾dis	−1.09
France	11.44-11.47½	11.46-11.47	2⅛-1⅛c pm	0.74	4⅜-2⅜pm	1.23
Sweden	11.26½-11.29¼	11.27½-11.28¾	2⅞-3⅞ore dis	−3.05	7⅜-6⅞dis	−2.81
Japan	304-305¾	304-305	1.42-1.35y pm	5.46	3.75-3.65pm	4.87
Austria	26.38-26.46	26.41-26.44	15½-13¾gro pm	6.64	41-36pm	5.83
Switz.	3.07½-3.08	3.08-3.09	2⅛-2c pm	8.02	5⅞-5pm	6.66

Belgian rate is for convertible francs. Financial franc 76.60-76.70. Six-month forward dollar 1.90-1.85c pm. 12-month 3.00-2.85c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

October 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4105-1.4140	1.4125-1.4135	0.45-0.42c pm	3.69	1.14-1.09pm	3.16
Ireland†	1.1617-1.1638	1.1628-1.1634	0.20-0.10c pm	1.55	0.50-0.30pm	1.38
Canada	1.3689-1.3708	1.3695-1.3705	0.04-0.07c dis	−0.48	0.13-0.18dis	−0.45
Nethlnd.	2.9965-3.0095	2.9995-3.0005	0.56-0.53c pm	2.18	1.71-1.68pm	2.26
Belgium	53.80-53.96	53.80-53.90	3-4c dis	−0.78	13-15dis	−1.04
Denmark	9.62-9.68¼	9.64½-9.64¾	¼-¾ore dis	−0.62	1-1½dis	−0.52
W. Ger.	2.6575-2.6650	2.6610-2.6620	0.81-0.76pf pm	3.54	2.31-2.26pm	3.44
Portugal	163½-166	163½-164½	100-300c dis	−14.63	400-1100dis	−18.29
Spain	161.70-162.17	161.70-161.90	35-55c dis	−3.34	140-200dis	−4.20
Italy	1,793¾-1,797½	1,794½-1,795½	9-10 lire dis	−6.35	24½-26dis	−5.63
Norway	7.90¼-7.94½	7.94-7.94½	2¾-3¼ore dis	−4.55	8⅞-8⅞dis	−4.30
France	8.10-8.12	8.11¼-8.11¾	0.95-1.10c dis	−1.52	3.90-4.10dis	−1.95
Sweden	7.96¼-7.99	7.98¼-7.98¾	4½-4¾ore dis	−6.77	11¾-12¾dis	−6.02
Japan	215.25-216.10	215.45-215.55	0.32-0.29y pm	1.67	0.93-0.88pm	1.68
Austria	18.66-18.72¼	18.65-18.68	4½-4gro pm	2.81	13¼-11½pm	2.67
Switz.	2.1800-2.1865	2.1830-2.1840	0.78-0.73c pm	4.15	1.97-1.92pm	3.56

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 54.20-54.30.

EXCHANGE CROSS RATES

Oct. 15	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.413	3.760	304.5	11.47	3.086	4.240	2536.	1.937	76.10
$	0.708	1.	2.662	215.5	8.115	2.184	3.000	1795.	1.371	53.85
DM	0.266	0.376	1.	80.98	3.049	0.820	1.128	674.5	0.515	20.24
YEN	3.284	4.648	12.35	1000.	37.65	10.13	13.92	8326.	6.361	249.9
F Fr.	0.872	1.232	3.280	265.6	10.	2.691	3.696	2212.	1.689	66.38
S Fr.	0.324	0.458	1.219	98.70	3.716	1.	1.374	822.0	0.628	24.67
H Fl.	0.236	0.333	0.887	71.82	2.704	0.728	1.	598.1	0.457	17.95
Lira	0.394	0.557	1.483	120.1	4.521	1.216	1.672	1000.	0.764	30.01
C $	0.516	0.730	1.941	157.2	5.919	1.593	2.189	1309.	1.	39.29
B Fr.	1.314	1.857	4.941	400.1	15.07	4.054	5.572	3332.	2.545	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Oct. 15	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11⅝-11¾	11⅝-11¾	11⅝-11¾	11½-11⅝	11¼-11⅜	11⅛-11¼
U.S. Dollar	8¼-8¼	8-8⅛	8-8⅛	8⅛-8¼	8¼-8⅜	8⅝-8¾
Can Dollar	8-8½	8⅛-8⅜	8⅞-9⅛	8⅞-9⅛	8⅞-9⅛	9¼-9½
D Guilder	5¾-5⅞	5¾-5⅞	5⅝-5¾	5⅝-5¾	5⅝-5¾	5⅞-6
Sw. Franc	1⅛-1¼	1⅝-1⅞	4-4⅛	4⅜-4½	4⅜-4½	4⅜-4½
Deutschmrk	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜	4⅜-4½	4⅜-4½	4⅞-5
Fr. Franc	9¼-9⅜	9⅜-9½	9⅛-9⅜	10⅛-10⅜	10⅛-10⅜	11⅛-11⅜
Italian Lire	12-14	14½-16	13½-14½	13⅜-14⅛	13½-14	13¾-14¼
B.Fr.(Fin)	9-9¼	8½-8¾	8⅝-8⅞	8¾-9	8⅞-9⅛	9-9¼
Br.Fr (Con)	9-9¼	8½-8¾	8⅝-8⅞	8¾-9	8⅞-9⅛	9-9¼
Yen	6⅛-6⅜	6⅜-6½	6⅛-6⅜	6½-6⅝	6⅛-6⅜	6⅛-6½
D. Krone	8½-9	9-9½	9¼-9¾	9¼-9¾	9⅛-9⅝	9¼-9¾
Asian $ (Sng)	8-8⅛	8-8⅛	8-8⅛	8⅛-8¼	8¼-8⅜	8⅝-8¾

Long-term Eurodollars: two years 9¼-9⅝ per cent; three years 9⅞-10¼ per cent; four years 10¼-10½ per cent; five years 10⅜-10⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

CURRENCY MOVEMENTS

Oct. 15	Bank of England Index	Morgan Guaranty Change %
Sterling	80.3	−10.2
U.S. dollar	131.4	+19.4
Canadian dollar	84.0	−8.9
Austrian schilling	118.2	+5.0
Belgian franc	91.9	−9.9
Danish Kroner	81.3	−4.0
Deutsche mark	127.5	+9.6
Swiss franc	150.7	+13.2
Guilder	117.7	+5.3
French franc	68.4	−12.7
Lira	44.5	−19.9
Yen	169.9	+25.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Oct. 15	£	$
Arg'tina	1.1292-1.1316	0.8000-0.8010
Aus'alia	2.0170-2.0210	1.4270-1.4285
Brazil	11,404-11,469	8,020-8,120
Finland	8.0615-8.0730	5.7070-5.7090
Greece	217.97-222.67	154.37-157.59
H'kong	11.0088-11.0280	7.7910-7.7940
Iran	123.85*	86.75*
Kuwait	0.4178-0.4184	0.29575-0.29590
Lux'burg	76.05-76.15	53.80-53.90
Malay'sa	3.4740-3.4840	2.4590-2.4610
N'Z'land	2.4130-2.4810	1.7035-1.7080
Saudi Ar.	5.1555-5.1615	3.6505-3.6510
Sin'pore	3.0230-3.0320	2.1395-2.1415
S.Af.(Cm)	3.8355-3.8460	2.7135-2.7210
S.Af. (Fn)	4.0385-4.1570	2.8570-2.9410
U.A.E.	5.1870-5.1930	3.6720-3.6730

* Selling rate.

CURRENCY RATES

Oct. 15	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.758070	0.587681
U.S.$	7½	1.06890	0.830687
Canadian $	8.85	*	1.13779
Austria Sch.	4	19.8401	15.5422
Belgian Fr	9½	57.2505	44.7906
Danish Kr	7	10.2384	8.01281
D mark	4	N/A	2.21046
Guilder	5	3.16285	2.49165
French Fr	9½	8.61374	6.73978
Lira	15½	1905.81	1491.50
Yen	5	228.470	179.221
Norway Kr.	8	8.40960	6.57780
Span'h Pta.	—	172.084	134.696
Swedish K.	10½	8.49098	6.62754
Swiss Fr.	4	2.31606	1.81297
Greek Dr'ch	20½	N/A	129.662
Irish Punt	13½	0.915144	0.714262

*C$/SDR rate for October 14: N/A

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.7906	−0.09	+0.64	±1.5425
Danish Krone	8.12857	8.01281	−1.42	−0.69	±1.6421
German D-mark	2.23840	2.21046	−1.25	−0.52	±1.1455
French Franc	6.86402	6.72978	−1.91	−1.08	±1.3654
Dutch Guilder	2.52208	2.49165	−1.21	−0.48	±1.5162
Irish Punt	0.724578	0.714262	−1.42	−0.69	±1.6673
Italian lira	1520.60	1491.50	−1.90	−1.79	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FUTURES AND OPTIONS

Trade in doldrums

Quiet trading on cash markets and the foreign exchanges resulted in another day of narrow trading and low volume on the London International Financial Futures Exchange yesterday. Long gilt futures for December delivery opened slightly higher at 113-17 (quoted in 32nds), and were taken up to a peak of 113-20, but then fell back to close near the day's low at 113-14. December short gilts opened at the day's high of 98-32 (quoted in 64th) and finished at the low of 98-27. Profit taking was mentioned as a reason for the late fall in gilt futures, but it was also suggested that but for Merrill Lynch's support of the market prices would probably be lower. A large stockbroker was seen in the market as a seller, but it was mentioned the broker might have been acting for a stockjobber to confuse the market and disguise the identity of a true seller.

The cash interest rate market was also very quiet in London, ahead of tomorrow's speech by the Chancellor of the Exchequer, at the Mansion House. This kept three-month sterling futures in a very narrow range on Liffe. December delivery opened at 89.12 and after touching 89.13, closed at the day's low of 89.09.

U.S. Treasury bonds for December opened at 75.12, and rose to a high of 75.17 when Chicago opened. Sellers then appeared, pushing the contract down to close just above the low at 75-11, almost unchanged from the previous close.

Eurodollars showed a similar trend, with selling developing after Chicago pushed the price of December delivery up to 91.69. The contract finished at 91.67, compared with a low of 91.66 and the previous close of 91.65. Tomorrow's revised third quarter U.S. GNP announcement overhung the market, although growth above the fish estimate of 2.8 per cent is already built into prices, according to dealers. Problems in raising the U.S. debt ceiling is also a major factor contributing to the lack of movement.

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4130	1.4087	1.4019	1.3963	1.3838

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4060	1.4085	1.4035	1.4020
March	1.3980	1.3990	1.3950	1.3935
June	1.3910	1.3930	1.3910	1.3870

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.4055	1.4070	1.4040	1.4050
March	1.3970	—	—	1.3965
June	1.3910	—	—	1.3905

Est volume 7 (10)
Previous day's open int 3,510 (3,220)

LIFFE—DEUTSCHE MARKS DM125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3779	0.3782	0.3779	0.3796
March	0.3812	0.3813	0.3812	0.3829
June	0.3846	0.3846	0.3846	0.3865

Est volume 144 (51)
Previous day's open int 492 (472)

STERLING INDEX

	Oct. 15	Previous
8.30 am	80.2	79.9
9.00 am	80.2	80.0
10.00 am	80.2	80.1
11.00 am	80.2	80.1
Noon	80.2	80.1
1.00 pm	80.2	80.1
2.00 pm	80.2	80.1
3.00 pm	80.3	80.1
4.00 pm	80.3	80.2

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	113-14	113-20	113-13	113-12
March	113-16	—	—	113-14
June	112-16	—	—	—
Sept	112-16	—	—	112-14
Dec	112-18	—	—	112-14

Est volume 1,781 (1,148)
Previous day's open int 3,778 (4,124)
Basis quote (clean cash price of 13½% Treasury 2004/08 less equivalent price of near futures contract) −6 to +4 (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
Dec	98-27	98-32	98-27	98-17
March	98-42	—	—	98-33

Est volume 860 (589)
Previous day's open int 1,436 (1,481)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec	89.09	89.13	89.09	89.10
March	89.55	89.56	89.54	89.55
June	89.65	89.66	89.64	89.60
Sept	89.61	89.64	89.64	89.60
Dec	89.52	89.52	89.50	89.60

Est volume 791 (528)
Previous day's open int 7,251 (7,261)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	132.85	132.85	131.70	131.95
March	133.85	—	—	132.95

Est volume 384 (336)
Previous day's open int 1,258 (1,346)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	91.67	91.69	91.66	91.62
March	91.31	91.32	91.30	91.25
June	90.95	90.95	90.93	90.88
Sept	90.60	90.58	90.58	90.53
Dec	90.27	90.28	90.28	90.19

Est volume 2,570 (482)
Previous day's open int 21,196 (20,833)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	75-11	75-17	75-10	74-31
March	74-06	—	—	73-26

Est. volume 1,136 (377)
Previous day's open int 2,959 (3,009)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	75-11	75-17	75-09	75-03
March	74-05	74-12	74-04	73-29
June	73-03	73-10	73-03	72-28
Sept	72-05	72-09	72-05	71-30
Dec	71-09	71-09	71-09	71-02
March	—	—	—	70-09
June	69-25	69-25	69-25	69-18
Sept	—	—	—	—
Dec	—	—	—	68-16
March	—	—	—	67-25

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.78	92.80	92.76	92.74
March	92.46	92.46	92.45	92.40
June	92.10	92.10	92.10	92.05
Sept	91.77	91.77	91.77	91.71
Dec	91.48	91.48	91.48	91.41
March	—	—	—	91.15
June	90.94	90.94	90.93	90.90

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.98	91.96	91.97	91.95
March	91.60	91.60	—	91.55
June	91.22	91.22	—	91.18
Sept	90.88	90.88	—	90.82

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.68	91.68	91.65	91.62
March	91.30	91.32	91.30	91.23
June	90.93	90.95	90.91	90.85
Sept	90.58	90.58	90.58	90.50
Dec	90.25	90.25	90.25	90.17
March	89.93	89.93	—	89.85
June	89.65	89.65	89.62	89.56
Sept	89.38	89.38	—	89.29

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	21.50	21.50	21.80	—	0.20	0.75	1.60	—
1.25	16.50	16.80	17.00	—	0.30	1.50	2.60	—
1.30	11.50	12.60	13.50	—	0.70	2.60	4.40	—
1.35	7.50	9.00	10.00	—	1.80	4.20	6.10	15
1.40	4.20	6.40	7.50	200	3.90	6.80	8.20	200
1.45	2.25	3.90	5.60	160	7.00	9.80	11.50	—
1.50	1.15	2.60	4.10	—	10.60	13.00	14.70	—

Previous day's open interest: Calls 8,003, Puts 9,202

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	—	—	—	—	—	—	—	—
1.25	16.25	—	—	1	—	—	—	—
1.30	11.30	—	—	4	0.65	—	—	25
1.35	—	—	—	—	1.55	4.05	—	7
1.40	4.00	6.00	—	594	3.45	—	—	450
1.45	2.00	4.10	—	45	—	—	—	—
1.50	—	2.70	—	10	—	—	—	—

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
90.00	1.67	1.36	1.21	—	0.00	0.07	0.26	—
90.50	1.18	0.96	0.86	1	0.01	0.15	0.41	—
91.00	0.71	0.60	0.56	—	0.04	0.29	0.61	—
91.50	0.33	0.33	0.34	80	0.16	0.52	0.89	90
92.00	0.10	0.15	0.18	154	0.43	0.84	1.23	50
92.50	0.02	0.05	—	—	0.85	1.24	—	—
93.00	0.00	—	—	—	1.33	—	—	—

Previous day's open interest: Calls 1,941, Puts 2,058

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	21.34	21.34	21.34	—	0.03	0.53	1.54	—
1.25	16.34	16.34	16.71	—	0.17	1.32	2.61	—
1.30	11.34	12.17	13.21	—	0.60	2.47	4.11	—
1.35	7.19	8.89	10.20	—	1.64	4.19	6.10	173
1.40	4.14	6.22	7.69	1	3.59	6.52	8.59	315
1.45	2.10	4.18	5.65	57	6.66	9.48	11.55	—
1.50	0.93	2.69	4.06	25	10.38	12.99	14.96	—

Previous day's open interest: Calls 8,615, Puts 15,802

MONEY MARKETS

Waiting for the Chancellor to speak

There was very little change in interest rates on the London money market yesterday. Sterling failed to provide any focal point, remaining quiet and steady on the foreign exchanegs. In the absence of any major news attention has alreadyl turned to the speech to be made by Mr Nigel Lawson, Chancellor of the Exchequer, at the Mansion House tomorrow. It is hoped he will clarify some of the more perplexing matters giving rise ti concern in the City at present, including his attitude to the very sharp rise in M3 money supply, aggravated by the lack of gilt-edged sales, which in turn appears to be a move to reduce the size of the bill mountain held by the Bank of England. Three-month interbank firmed slightly to 11½-11⅝ per cent from 11 7/16-11 9/16 per cent, and buying rates for three-month bank bills were 11 13/32-11½ per cent compared with 11 7/16 per cent.

The Bank of England forecast a money market shortage of £900m in the morning, but this was changed to £850m at noon, and to £800m in the afternoon. A total of £755m in help was provided by the authorities, mainly through outright purchases of bills.

Before lunch the Bank of England bought £408m bills outright, by way of £32m bank bills in band 1 (up to 14 days maturity) at 11⅝ per cent; £253m bank bills in band 2 (15-33 days) at 11 9/16 per cent; £69m bank bills in band 3 (34-63 days) at 11½ per cent; £18m local authority bills in band 4 (64-91 days) at 11 7/16 per cent; and £36m bank bills in band 4 at 11 7/16 per cent.

In the afternoon the authorities purchased another £132m bills outright, through £5m local authority bills in band 1 at 11⅝ per cent; £16m bank bills in band 1 at 11⅝ per cent; £41m bank bills in band 2 at 11 9/16 per cent; £44m bank bills in band 3 at 11½ per cent; and £26m banks bills in band 4 at 11 7/16 per cent.

Late assistance of £215m was also provided.

A fall in the note circulation added £55m to liquidity, but this was outweighed by bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills draining £297m, bank balances below target by £120m, and Exchequer transactions absorbing another £540m. The drain from Exchequer transactions was despite payment of block grant and housing benefit subsidy to local authorities, totalling over £500m.

UK clearing banks base lending rate 11½ per cent since July 30.

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	8¾
Fed funds	8⅛
Fed funds at intervention	8⅛
Treasury Bills & Bonds	
One month	6.99
Two month	7.19
Three month	7.45
Six month	7.74
One year	8.03
Two year	8.94
Three year	9.29
Four year	9.62
Five year	9.94
Seven year	10.20
10 year	10.33
30 year	10.58

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 15)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/8	offer 8 1/4	bid 8 1/4	offer 8 3/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust

MONEY RATES

Oct. 15	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.45-4.55	4.60-4.75	4.6-4.7	4.60-4.75	4.65-4.80	5.5
Paris	9¼	9 5/16-9 7/16	9 5/16-9 7/16	9 5/16-9 7/16	9 5/16-9 7/16	9⅝
Zurich	⅞-1⅛	3⅛-4⅛	—	4 1/16-4 3/16	—	—
Amsterdam	5¾-5 15/16	5¾-5⅞	—	5¾-5⅞	5¾-5⅞	—
Tokyo	6.34375	6.46875	—	6.46875	—	—
Milan	14¼-14½	14¼-14½	—	14¼-14½	—	—
Brussels	10.00	8¾-8⅞	—	9-9¼	9¼-9½	—
Dublin	8-8½	9¼-9½	9⅜-9⅝	9½-9¾	9⅞-10⅛	—

LONDON MONEY RATES

Oct. 15	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11¼-12½	11⅝-11⅞	11⅝-11¾	11½-11⅝	11 5/16-11 7/16	11-11 3/16
Sterling CDs	—	—	11⅝-11½	11 7/16-11 5/16	11 3/16-11 1/16	10¾-10⅝
Local Authority Depos	11⅝	11⅝-11⅝	11⅝	11½	11 5/16	11
Local Author'y Bonds	—	—	12	11⅝	11⅜	11⅛
Discount Mkt Depos.	11-11¾	11⅝-11⅝	11¼	11	—	—
Company Depos	11¾-12	11¾-12	11¾-11⅞	11¾	—	—
Finance Hse Depos	—	—	11⅝	11½	11 5/16	11 3/16
Treasury Bills (Buy)	—	—	11 9/16	11⅜	—	—
Bank Bills (Buy)	—	—	11 9/16	11 13/32-11¼	10 15/16	—
Fine Trade Bills (Buy)	—	—	11 15/16	11 11/16	11 7/16	—
Dollar CDs	—	—	7.85-7.95	8.0-8.1	8.1-8.2	8.5-8.6
SDR Linked Depos	—	—	7⅝-7⅞	7¾-8	7⅞-8⅛	8 1/16-8 5/16
ECU Linked Depos	—	—	8 5/16-8 9/16	8½-8⅝	8 5/16-8 11/16	8¾-8⅞

Treasury Bills (sell): one-month 11 9/32 per cent; three-month 11 per cent. Bank Bills (sell): one-month 11 9/16 per cent; three-month 11 11/32 per cent. Treasury Bills: Average tender rate of discount 11.0141 per cent. ECGD Fixed Finance IV: September 4 to October 1 (inclusive): 11.597 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from October 1 1985. Bank Deposit Rates for sums at seven days' notice 6.25-6.525 per cent (net). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11¼ per cent; six-nine months 11¼ per cent; nine-12 months 11 per cent. Under £100,000 10¾ per cent from October 2. Deposits held under Series 5 11 per cent. Deposits withdrawn for cash 7½ per cent.

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	99	Exch. 12½pc 1985	99	.....	12.26	12.87
101	99	Exch. 11¼pc '86	100	+	11.73	10.90
99¾	97	Treas. 10pcCnv 1986	99⅝	..	10.04	10.83
96½	92¾	Treas 3pc 1986	96 xd	....	3.11	9.61
100	97½	Exch. 10½pc Cv '86	99⅝xd	....	10.51	10.91
101¾	99¼	Treas 12pc 1986	100⅝	....	11.92	10.88
98½	94¾	Treas 8¼pc 1984-86‡‡	98	....	8.63	10.68
105	102	Exch. 14pc 1986	103 xd	..	13.57	10.69
94½	87¾	Exch. 2½pc 1986	94½xd	+	2.65	7.84
104	101¼	Exch. 13¼pc 1987	102	..	12.87	10.60
99	96¾	Treas 10¼pcCv '87	99½	+	10.30	10.58
93¼	85½	Exch 2½pc 1987	93½	.....	2.68	7.91
100	96¼	Exch. 10½pc 1987	100	+	10.50	10.50
95¼	89	Funding 6½pc '85-87‡‡	95¼xd	+	6.82	9.93
99	95½	Treas. 10pc 1987	99⅛	+⅛	10.09	10.55
91¼	84¼	Treas 3pc 1987	91	...	3.28	8.28
102	99⅛	Treas. 12pc 1987	102 xd	.....	11.70	10.60
95	90¼	Treas 7¾pc 1985-88‡‡	95	+¼	8.16	10.22
100	95⅝	Exch 10½pc '88	100 xd	....	10.49	10.51
98⅝	93¾	Treas 9¾pc Cv '88	98⅛	+	9.94	10.55
87	80	Transport 3pc '78-88	87¼	+	3.44	8.41
97¾	91½	Treas. 9½pc '88	97¼xd	....	9.76	10.54
102¾	97½	Treas 11½pc 1989	102¾	+	11.19	10.47
97	90¾	Treas 9½pc Cnv. '89	97½xd	.....	9.78	10.51
83	79	Treas 3pc 1989	83 xd	....	3.58	8.38
99	94	Treas 10½pc 1989	99	+	10.52	10.54
98¾	92	Exch 10pc 1989	98¾	+	10.17	10.51
101	95	Exch 11pc 1989	101	+	10.84	10.54
86¾	79	Treas 5pc 1986-89	86⅝	+	5.79	9.15
108	103¼	Treas 13pc 1990‡‡	108⅝	.....	11.97	10.40
101¾	96	Exch 11pc 1990‡‡	101	....	10.83	10.51
108¾	100¾	Exch. 12¼pc 1990	107	.....	11.68	10.49
80	75¼	Treas. 3pc 1990●	80 xd	+⅛	3.74	8.27
93	87¼	Treas 8¼pc 1987-90‡‡	93	+⅛	8.87	10.16
		Five to Fifteen Years				
101¾	91⅞	Treas. 10pcCv 1990	97¼xd	....	10.23	10.53
107¾	97¾	Treas 11¾pc 1991	107½	....	11.27	10.62
87¾	80	Funding 5¾pc '87-91‡‡	86¾	+⅛	6.64	9.80
105¼	95	Exch 11pc 1991	101½xd	...	10.81	10.40
112½	101¾	Treas 12¾pc 1992‡‡	112½	+⅛	11.65	10.61
99½	88⅝	Treas 10pc 1992	99⅝	+⅛	10.22	10.45
104	94¼	Treas 10½pc Cv 1992‡‡	99¼xd	+⅛	10.52	10.54
110¼	98¼	Exch. 12¼pc '92	109¼	+⅛	11.41	10.69
117¼	105	Exch 13½pc 1992	113⅞	+⅛	11.96	10.79
112¾	101¼	Treas 12½pc 1993‡‡	112½	.....	11.44	10.69
83¼	74⅞	Funding 6pc 1993‡‡	82⅝	+⅛	7.31	9.23
121¾	109¼	Treas 13¾pc 1993‡‡	121½	+⅛	11.86	10.72
125¾	111¼	Treas 14½pc 1994‡‡	122⅞	+⅛	11.98	10.63
119¾	108¾	Exch 13½pc 1994	114½xd	...	11.75	10.79
113¼	100⅛	Exch. 12½pc 1994	111¼	...	11.38	10.73
95¼	86¼	Treas 9pc 1994‡‡	91¼xd	...	9.78	10.38
110¼	98¾	Treas 12pc 1995	110	....	11.19	10.72
71½	62¾	Gas 3pc '90-95	70xd	....	4.28	7.43
100¼	89⅝	Exch. 10¼pc 1995	100⅛	+⅛	10.50	10.63
118¼	106¼	Treas 12¾pc 1995‡‡	117⅞xd	+⅛	11.30	10.64
123	110½	Treas. 14pc '96	122⅞	+⅛	11.71	10.78
94¼	84½	Treas 9pc 1992-96‡‡	92⅞	+⅛	9.83	10.33
134¾	121¾	Treas 15¼pc 1996‡‡	127¼xd	.....	11.91	10.76
122¼	110¼	Exch 13¼pc 1996‡‡	115⅝xd	+⅛	11.35	10.60
77¼	68½	Redemption 3pc 1986-96	76½	....	3.93	5.97
120¾	108⅛	Treas 13¼pc 1997‡‡	120⅛	+⅛	11.33	10.61
102⅛	90½	Exch 10½pc 1997	101¾	.....	10.53	10.52
91⅞	80½	Treas 8¾pc 1997‡‡	90¾	...	9.82	10.35
132¾	120⅝	Exch. 15pc 1997	127½xd	+⅛	11.73	10.80

Over Fifteen Years

Undated

Index-Linked

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NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 42
(International Edition Page 42)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Equity leaders drift from peak levels as interest switches to speculative issues

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Sept 30	Oct 10	Oct 11	Oct 21
Oct 14	Oct 24	Oct 25	Nov 4
Oct 28	Nov 7	Nov 8	Nov 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

Takeover situations, both rumoured and actual, kept interest alive in London stock markets yesterday. Otherwise, the overall level of trade slackened considerably and leading shares lost their recent sparkle.

Wall Street's firm overnight performance gave confidence an early fillip, but this proved to be short-lived as short-term profit takers were quick to take advantage of slightly higher opening levels.

Selling was by no means heavy, but in the absence of any further institutional support quotations drifted lower and the Financial Times Ordinary share ndex came back from Monday's all-time high to close 4.9 lower at 1023.9.

Glaxo, in contrast, resisted the trend following a generally favourable Press on the group's preliminary statement. On the other hand, Allied Lyons met with nervous offerings and closed 5 lower at 270p on Elders XL's agreement with the takeover panel to announce next Monday whether or not it intends to proceed with a formal offer for Allied Lyons.

Electronic Rentals' agreed bid for Telefusion, announced early in the trading session, was partly responsible for the revival in speculative activity. A few hours later, Brook Street Bureau reported a bid approach.

The Banking sector came to life around noon amid strong rumours that Lloyds Bank had sold its stake in Royal Bank of Scotland. The latter attracted heavy support and advanced to 290p before closing a net 10 up at 284p, while Lloyds settled 6 dearer at 428p, after 433p.

Government securities showed few signs of breaking out of their current spell of inactivity. The underlying tone, however, remained steady to firm with quotations at the short-end of the market closing a fraction harder. Exceptionally, the specialist low coupon stock Treasury 3 per cent 1990, improved ½ to 80⅛. Medium and longer-dated issues fluctuated narrowly before settling around ⅛ better on the day.

After a quiet and uneventful opening period, merchant banks attracted selective support. Kleinwort Benson jumped 20 to 500p, while Mercury Securities, still awaiting finalised details of the proposed merger with stockjobber Akroyd & Smithers, gained the same amount to 550p.

Allied-Lyons eased 5 to 270p, after 268p, as short-term operators unwound positions ahead of Elders' statement, scheduled for next Monday. In Regionals, Boddingtons rose a few pence to 97p following a put-through of 2m shares at that price by brokers James Capel.

Business in the Building sector contracted quite sharply. The leaders, particularly firm of late on hopes of increased Government spending, turned easier on light profit-taking. Taylor Woodrow gave up 10 to 498p, while Tarmac, mentioned as a possible bidder for English China Clays, slipped 4 to 358p. Costain, however, continued firmly and rose 6 more to 482p, while John Mowlem gained the same amount to 320p following comment on the interim results. Higgs and Hill hardened 5 to 448p in response to a broker's recommendation. Walter Lawrence gained the turn to 82p, after 83p, the confident statement on second-half prospects outweighting lower mid-term profits. John Maunders, attracted buyers on reports that a 3½ per cent stake had changed and rose 8 to 150p, while Fɪoenix Timber spurted to 114p prior to closing a net 6 up at 110p as rumours of a bid from a Swedish source revived.

Telefusion up on bid

After a hesitant start, leading Stores encountered steady support which followed through into the after-hours' business. British Home Stores, a nervous market of late, attracted interest in front of today's interim results and finished 4 to the good at 300p. Sears hardened a couple of pence to 11p, while Harris Queensway, mid-term figures due next Tuesday, recovered from 248p to close only 2 off on balance at 252p. J. Hepworth, the subject of a downgraded profits forecast from brokers Wood Mackenzie, fell to 204p before settling a net 7 off at 210p. Mail-orders lacked support with Grattan 6 lower at 296p. In contrast, fresh enthusiasm was noted for Ratners, finally 8 up at 116p, and for Superdrug, 10 higher at 450p. Time Products hardened 2½ to 58p in reply to better-than-expected interim results. Telefusion, a rising market of late, touched 47p before closing 10 dearer on balance at 44p following the agreed shares-and-cash offer from Electronic Rentals, 2 cheaper at 40p.

STC remained a friendless market in Electricals and fell to a 1985 low of 72p before closing 4 lower at 74p on talk that several million shares were on offer outside the market. Other Electrical leaders drifted easier following sporadic profit-taking. Thorn EMI slipped 4 to 357p as did Racal, to 152p, while GEC, at 168p, and Plessey, at 134p, gave up 2 apiece. Elsewhere Oxford Instruments revived with a rise of 10 to 342p, while Synapse Computer put on 10 to 188p in response to the results. Farnell improved 5 to 174p, reflecting comment on the interim figures, but Highland softened a few pence to 96p ahead of tomorrow's preliminary statement. Still mirroring reports of a declining share in the computer market, Apricot cheapened 2 more for a two-day fall of 18 to 60p. INSTEM lost 10 to 180p, while similar falls were seen in Microfocus, 140p, and Microlease, 240p.

The liquidation of speculative positions in the absence of the widely-rumoured bid from an Evered-led consortium left TI 14 lower at 393p. Elsewhere in Engineerings, Hawker lost 10 more to 381p on renewed nervous selling ahead of today's interim results, while falls of 4 and 5 respectively were seen in GKN, 248p, and Vickers, 300p. Renold touched 67p initially, but later succumbed to profit-taking on fading takeover hopes and closed 5 lower at 61p. Thomas Locker issues, meanwhile, attracted a strong demand behind talk of a 75p per share bid; the ordinary closed 8 higher at 35p, after 38p, and the "A" 4½ better at 28p, after 32p. Cooper Industries rose 2½ to 22p in response to revived speculative support, while Banro firmed 4 to 140p following the announcement that CHI had increased its stake in the company to over 26 per cent. Vosper, still reflecting compensation hopes, added 6 to 182p.

Rumours that Associated Dairies was ready to launch an aggressive price-cutting operation sparked off fears of another price war among Food Retailers. Quotations suffered a fairly sharp mark-down and Tesco lost 7 to 273p, while J. Sainsbury gave up 4 at 336p, while Dee 3 at 235p. Associated Dairies were finally 4 lower at 138p, while Kwik Save dipped 8 to 224p. Bejam, slipped 4 to 185p awaiting today's annual results, and Albert Fisher, preliminary figures due tomorrow, lost the same amount at 127p. Elsewhere, Hillsdown Holdings softened a couple of pence to 158p despite the acquisition of a bacon factory for £2.4m. Pyke Holdings rose 11 to 350p on revived speculative buying.

Brook St Bureau good

Brook Street Bureau emerged as a prominent firm feature in miscellaneous industrials, closing 19 higher at 170p following news of a bid approach; the shares have been particularly popular of late and recently Ecco S.A. increased its stake in the company to nearly 12 per cent. Elsewhere, Channel Tunnel jumped 55 to 335p in a thin market on hopes of an early decision on the "chunnel" project. Strong rumours of a bid from P&O Deferred led to a brisk demand for European Ferries which touched 143p before closing unaltered at 140p. Vague suggestions of a bid from Tarmac helped English China Clays move up 7 to 262p, after 265p, while Extel continued to reflect hopes of an offer from Dr Ashraf Marwan and the shares closed 7 to the good at 365p. Hestair rose 8 to 122p following an analysts meeting with the company and Alexandra Workwear advanced 10 to 188p in reply to the better-than-expected interim figures. Expansion prospects prompted a rise of 17 to 377p in Williams Holdings. Manchester Ship Canal jumped 19 to 455p. Rockware, on the other hand, fell 9 to 35p on further consideration of the interim statement and PSM International relinquished 6 to 138p following the uninspiring half-year figures. Profit-taking clipped 10 from British Aerospace at 450p, while the recently favoured Ashley Industrial gave up a few pence at 41p. Among the leaders, Glaxo, at £13¼, retrieved half of the previous day's decline of ½ after comment on the preliminary results.

Still reflecting Monday's disappointing preliminary statement, Medminster came back 20 more for a two-day fall of 30 to 170p. Tyne Tees A, on the other hand, moved up 5 to 127p as the lower first-half profits were counteracted by the encouraging view on current trading. Buying in a thin market lifted Herrburger Brooks 15 to 75p, while a slightly more aggressive demand raised Horizon 6 to 86p. International Leisure picked up 5 at 123p, but Owners Abroad slipped back 1½ to 23½p when bid hopes faded.

A Press article resurrecting bid possibilities stirred Lucas Industries. The price opened at a 1985 peak of 415p but reacted quickly to 405p before reviving late to close 2 firmer on balance at 415p. Features elsewhere in Motors were scarce but Lex Service found support and gained 7 to 237p.

Fleet Holdings' decision to recommend acceptance of United Newspapers' £317m offer left the former 11 down at 365p. United settled 7 lower at 283p. Associated Newspapers, remained a firm market and moved up ½ to £10. But Daily Mail A were unchanged at £14½. News that the company is acquiring Dri-Print Foils from ICI for £5.9m stimulated Associated Paper Industries which firmed 5 to 198p. On the other hand, BPCC encountered selling and gave up 6 to 199p.

Peachey Property revealed satisfactory preliminary results, but the shares, a firm market of late, eased back on profit-taking to close 3 cheaper at 275p. Samuel Properties continued to reflect the leasehold sale and gained 5 more to 181p, while Slough Estates hardened a couple of pence to 162p. Still reflecting hopes that Mr John Gunn, the former chief executive of Exco International may join the company on a part-time basis, British and Commonwealth highlighted Shippings, rising 12 to a 1985 high of 307p on news that former Exco International chief executive Mr John Gunn is to join the board as an executive director.

Financials featured revived strength in Britanina Arrow which advanced 10 for a two-day advance of 17 to 124p amid heightening speculation of a bid from Guinness Peat, 2 dearer at 74p, after 76p. GP recently lifted its stake in Britannia Arrow to just over 28 per cent.

The oil majors did little more than mark time after opening a shade firmer in the wake of Wall Street's overnight advance. Shell closed 8 higher at 693p helped by U.S. buying late in the session, but British Petroleum settled 3 better on balance at 543p. Burmah opened higher at 314p, but subsequently drifted off to close 3 cheaper at 310p. Among the second-liners, Carless Capel gave up 9 to 118p on lack of support, while Sovereign shed 5 to 115p, the cautious statement outweighing higher half-year profits. Plet Petroleum gained 6 to 86p following the annual figures, but profit-taking clipped 5 from recently-firm Bryson, at 117p and 6 from Oil Search, at 34½p.

Contrasting trading statements prompted some exciting movements in Overseas Traders. The recent weakness in Harrisons and Crosfield appeared to be justified following the announcement of interim profits well below most market expectations and the shares dipped another 10 to 330p, after 328p. Inchcape fell 6 to 332p in sympathy. Paterson Zochonis, on the other hand, advanced 17 to 175p in response to excellent preliminary results.

Golds quietly firm

Business in South African mining markets continued to improve from the minimal levels experienced throughout last week. As on Monday, investment impetus emanated from Johannesburg where dealers proved to be ready buyers of top-quality Golds. Rises were exaggerated by stock shortage.

With the bullion price, finally $0.25 up at $327.25 an ounce, failing to provide a definite lead, London and U.S. operators usually remained on the sidelines.

Heavyweight Golds showed gains extending to 1½ points as in Randfontein, £56¼. Western Deep, £23¾. Southvaal, £23½, improved around ¾ apiece, while among more marginal counters, Durban Deep advanced 63 to 619p. The FT Gold Mines index posted a rise of 5.3 to 299.9—its highest level so far this month.

Leading Australian resources issues closed no better than mixed as potential investors were deterred by the unimpressive September trade figures. Peko-Wallsend closed 10 off at 276p, while Western Mining gave up 3 to 186p. MIM Holding in contrast remained relatively firm, rising 3 to 131p on further reflection of the first-quarter profits recovery.

"Down-under" Golds also encountered profit-taking in overnight Sydney and Melbourne markets. Selected issues met occasional interest in London but prices still displayed double-figure losses in places. Gold Mines of Kalgoorlie fell 10 to 480p, while Central Norseman dipped 20 to 380p, after 370p.

Elsewhere, McFinley Red Lake were marked 50 higher to 275p following encouraging drilling reports from the gold prospect in Bateman Township, Ontario.

FINANCIAL TIMES STOCK INDICES

	Oct. 15	Oct. 14	Oct. 11	Oct. 10	Oct. 9	Oct. 8	year ago
Government Secs ...	84.30	84.16	84.14	84.10	84.08	84.02	79.80
Fixed Interest ...	90.06	89.91	90.09	90.06	89.96	89.86	84.28
Ordinary ♥ ...	1023.9	1028.8	1027.5	1017.8	1007.0	1007.2	866.5
Gold Mines ...	299.9	294.6	291.4	290.2	290.2	289.2	549.9
Ord. Div. Yield ...	4.73	4.65	4.64	4.67	4.71	4.72	4.90
Earnings, Yld. %(full)	11.56	11.38	11.36	11.44	11.54	11.55	11.69
P/E Ratio (net) (*) ...	10.68	10.87	10.90	10.82	10.73	10.72	10.26
Total bargains (Est.)	23,610	24,498	22,721	21,637	20,548	21,818	20,580
Equity turnover £m.	—	530.22	535.58	467.02	397.01	313.85	337.85
Equity bargains ...	—	25,725	25,432	21,202	18,830	19,270	20,140
Shares traded (mn) ...	—	265.4	287.4	245.3	203.4	170.7	190.5

♥ 10 am 1027.2. 11 am 1024.5. Noon 1023.2. 1 pm 1023.0. 2 pm 1021.8. 3 pm 1021.8. 4 pm 1022.8.
Day's High 1029.7. Day's Low 1021.4.
Basis 100 Govt. Secs. 16/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
* Nil=10.30.

HIGHS AND LOWS | S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.31 (4/10)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.09 (11/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1028.8 (14/10)	911.0 (25/7)	1028.8 (14/10/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	280.1 (29/8)	734.7 (15/2/83)	43.5 (26/10/71)

	Oct. 14	Oct. 11
Daily Gilt Edged Bargains ...	157.2	147.0
Equities Bargains ...	156.7	154.8
Value ...	107.2	108.2
5 day Average Gilt Edged Bargains ...	140.3	141.2
Equities Bargains ...	143.1	135.5
Value ...	907.0	833.4

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Oct 7	Oct 18	Jan 9	Jan 20
Oct 21	Nov 1	Jan 23	Feb 3
Nov 4	Nov 15	Feb 6	Feb 17

For rate indications see end of Unit Trust Service

Money was given for the call of Markheath Securities, Martin Ford, Bairstow Eves, Barker and Dobson, C. H. Bailey, West Coast, Aberfoyle, STC, Brunswick, FKI, Air Call, Westland, Horizon Travel, Crystalate, Oil Search, Pentland, Newman Industries, Electronic Rentals and Ashley Industrial Trust. No puts were reported, but a double option was transacted in Westland.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stoc	Closing price	Day's change
Allied-Lyons	270	−5
Britannia Arrow	124	+10
Brit & Commonwealth	307	+12
Caledonia Invs	293	+21
English China Clays	262	+7
Euro Ferries	140	—
Fleet Holdings	365	−11
Hepworth (J.)	210	−7
Hestair	122	+8
Jaguar	284	−4
Lon & Edinburgh Tst	400	+22
Renold	61	−5

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Cable & Wire	24	615	+10
Glaxo	21	£13⅜	−⅜
Crowther (J.)†	19	19pm	—
Oceana Cons.	16	47	+8
Brit Aero	15	460	+10
Lister	15	70	+2
A. C. Cars	14	55	+15
British Telecom	14	187	−4
Int Sig & Cont	14	333	−4
Mowlem (J.)	14	314	+38
GEC	13	170	+4
Woolworth	13	503	+10

† Nil paid

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tues Oct 15 1985

[illegible]

FIXED INTEREST

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 32,550
A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

For Greenfields Black see Blacks Leisure.

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▌ Allotment letters or fully paid. ||| Introduction. ✱ Unlisted Securities Market. § Placing price. †† Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (126)

BRITISH FUNDS (8)
INT. BK. & O'SEAS GOVT. STLG. ISS. (5)
CORPORATION LOANS (5)
LOANS (2)
AMERICANS (1)
BANKS (5)
BREWERS (2)
BUILDINGS (13)
CHEMICALS (3)
STORES (8)
ELECTRICALS (3)
ENGINEERING (8)
FOODS (4)
INDUSTRIALS (16)
LEISURE (2)
MOTORS (5)
NEWSPAPERS (1)
PAPER (2)
PROPERTY (12)
SHIPPING (1)
TRUSTS (15)
OILS (1)
OVERSEAS TRADERS (2)
PLANTATIONS (1)
MINES (1)

NEW LOWS (26)

AMERICANS (1)
Microcomputer Mems.
BANKS (1)
Southern Bus. Leasing
STORES (1)
NSS Newsagents
ELECTRICALS (5)
Apricot Computers, Prestwick, Klark-Teknik, STC, Polytechnic Elect.
HOTELS (1)
Norscot
INDUSTRIALS (3)
PSM Intl., SI Group, Pacer Systems
LEISURE (1)
Tottenham Hotspur
NEWSPAPERS (1)
Intl. Thomson
PAPER (1)
Moss Advertising
PROPERTY (1)
York Mount
TRUSTS (2)
Scot. Mercantile A, Indl. Fin. & Inv.
OILS (3)
Bristol Oil Mins., Warrior Resources, Monarch Petrol.
OVERSEAS TRADERS (1)
Harrison Crosfield
PLANTATIONS (2)
Anglo-East Plants., Harrisons Malaysian
MINES (2)
Kitchener, Metals Explrtn.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	0	61
Corpns. Dom. and Foreign Bonds	25	0	58
Industrials	296	300	889
Fin. and Props.	106	93	361
Oils	21	28	80
Plantations	1	7	10
Mines	54	40	92
Others	86	28	92
Totals	645	494	1,631

LONDON TRADED OPTIONS

[illegible]

October 14 Total Contracts 12,816 Calls 6,898 Puts 4,922
*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

Nord Est	108	+0.9	Oce Grinten	334	+1
Pernod Rica	674	+6	Ommeren (Van)	26.1	−0.1
Perrier	439	+2	Pakhoed	65.0	−0.4
Petroles Fra	246	+5.5	Philips	47.2	+0.5
Peugeot S.A.	385	+3	Robeco	77.2	+0.4
Printemps (Au.)	280.1	+5.1	Rodamco	134.9	−0.1
Radiotech	326	+3	Rolinco	65.7	+0.7
Redoute	1,425	+47	Rorento	46.9	+0.1
Roussel-Uclaf	1,468	+33	Royal Dutch	190.4	+2.1
Safimeg	346	−3	Unilever	387.0	+1.5
Skis Rossignol	1,175	+15	VMF Stork	233.9	
Telemec Elect	3,485	+25	VNU	280	+3.5
Thomson (CSF)	517	−1	Wessanen	187.5	
Valeo	229.7	−0.3	West Utr Bank	93.8	+0.6

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. $ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights xa Ex all.

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

Aust. Guarantee	2.9	+0.05
Aust. Nat. Ins.	2.8	−0.05
APM	2.8	−0.28
Bell Group	11.4	−0.2
Bell Res.	10.1	−0.2
Bond Corp Hldgs	2.36	−0.1
Boral	3.52	+0.04
Bougainville	2.07	+0.02
Brambles Inds	4.3	
Bridge Oil	2.25	−0.05
B. H. Prop.	8.74	−0.1
CRA	5.94	+0.1
CSR	3.7	−0.05
Castlemaine Tys	8.0	
Coles (G.J.)	4.4	
Comalco "A"	1.98	−0.04
Consolidated Pet	0.43	−0.02
Costain Aust	2.25	+0.05
Dunlop Olympic	2.55	
Elders IXL	3.9	
Energ Res	1.82	+0.02

HONG KONG

JAPAN

JAPAN (continued)

JAL	5,160	+10
Jusco	925	+20
Kajima	550	−3
Kao Soap	960	−5
Kawasaki Steel	159	−1
Kirin	770	
Kobe Steel	290	−1
Komatsu	579	+11
Konishiroku	714	+7
Kubota	405	
Kumagai	819	−21
Kyocera	5,630	−20
Marubeni	389	−1
Marui	1,570	
Mazda Motors	418	−1
Meiji Seika	558	−9
MEI	1,180	−20
M'bishi Bank	1,480	
M'bishi Chem	484	−6
M'bishi Corp	656	−4
M'bishi Elect	378	+3
M'bishi Estate	1,130	

SINGAPORE

SOUTH AFRICA

Anglo Am. Gold	187	+7
Barclays Bank	17.65	+0.15
Barlow Rand	11.4	+0.35
Buffels	77	+2.75
CNA Gallo	2.55	
Currie Finance	4.20	
De Beers	13.25	+0.45
Driefontein	52	+1
FS Geduld	62.25	+1.25
Gold Fields SA	34.5	+0.5
Highveld Steel	5.75	
Nedbank	11.6	−0.1
OK Bazaars	12.0	
Protea Hldgs	2.15	+0.05
Rembrandt	45.0	
Rust Plat	23.5	+0.5
Safren	13	
Sage Hldgs	9.3	
SA Brews	7.65	+0.05
Smith (CG)	23	
Tongaat Hulctts	6.15	−0.05
Unisec	5.9	

CANADA

TORONTO

Prices at 2.30pm October 15

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

New York Active Stocks

TORONTO

	Oct 15	Oct 14	Oct 11	Oct 10	1985 High	1985 Low
Metals & Minls	1,858.1*	closed	1,838.79	1,831.4	2190.7 (13/2)	1839.3 (8/1)
Composite	2,629.3*	closed	2,618.1	2,608.8	2818.9 (30/8)	2348.5 (8/1)
MONTREAL Portfolio	127.36*	closed	126.81	126.10	139.33 (19/7)	117.88 (4/1)

* Indicates pre-close figure

** Saturday October 12: Japan Nikkei-Dow (c). TSE (c).

Base value of all indices are 100 except JSE Gold—255.7. JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 45

Stock	Sales (Hnds)	High	Low	Last	Chng
OrisCp	863	6¼	5⅞	6	+ ⅛
Oshmn .20	16	12¾	12¾	12¾	− ¼
OttrTP 2.76	113	31½	30⅝	31⅛	+ ½
OvrExp	210	9⅝	9¼	9½	− ¼
OwnMs .28	102	15⅞	15½	15½	− ¼
Oxoco	122	7-16	⅜	⅜	
P Q					
PNCs 1.32	445	29½	28⅞	29⅛	− ¼
Paccar 1.20a	84	44	43¾	43¾	

Stock	Sales (Hnds)	High	Low	Last	Chng
Reliab	27	4½	4⅜	4½	
RpAuto .16	54	8⅝	8⅜	8½	+ ⅛
RpHlth	896	11	10¾	11	+ ⅜
RestrSy	24	17¼	17	17¼	+ ⅛
Reuterl .15e	828	7⅞	7⅜	7⅝	
ReutrH .26e	16	26⅜	26¼	26¼	− ⅛
ReyRey 1.24	34	37½	37	37	
Rhodes .32	423	15¼	14⅞	15¼	+ ⅜
Riblims	700	7⅛	7	7	− ⅛
RichEls	7	21¼	20¾	20¾	
Rival .80	30	16⅜	16¼	16¼	− ⅛
RoadSv 1	264	29½	29	29¼	

Stock	Sales (Hnds)	High	Low	Last	Chng
SoHosp	109	4⅝	4½	4½	− ⅛
SthdFn .52	71	21¾	21½	21¾	
Soutrst .80	629	16½	16¼	16⅜	+ ⅛
Sovrgn .10	358	6⅝	6½	6½	
Sovrans	562	25⅝	25½	25⅝	+ ⅛
Specdy	37	16⅜	16¼	16¼	− ⅛
Spectran	712	20½	19¾	19¾	− ¼
SpecCtl .07	102	7⅛	6⅞	7	
Spire	2	14½	14½	14½	− ⅛
StarSrs	89	6⅝	6½	6½	− ⅛
StafBld .20	38	7⅝	7½	7½	
Standy 1	176	29¾	29	29½	+ ½
StdMic	540	14¼	13⅝	13⅝	− ½

Stock	Sales (Hnds)	High	Low	Last	Chng
UFeGrp	2	7¼	7¼	7¼	− ⅛
UFstFd	48	17½	17¼	17¼	− ¼
UGrdn 1.64	65	8	7¼	7⅞	+ ⅝
UPresd	16	10⅛	10⅛	10⅛	+ ⅛
US Ant	99	5 1-16	5 1-16	5 1-16	− 1-16
US Bcp 1	224	27⅝	27	27⅜	+ ¼
US Cap	42	2⅞	2⅝	2⅝	− ¼
USDsgn	110	3	3	3	+ ⅛
US HCs .08	3363	29¾	28	28⅛	− 1⅛
USShelt .12	48	4⅝	4 5-16	4⅝	
US Sur .30e	413	16	15⅞	15⅞	
US Trs 1.20	52	35¼	34¾	35	

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

Alex Workwear	180	+10
Brit Arrow	124	+10
Brit & Comm	307	+12
Brook St	170	+19
Channel Tunnel	335	+55
Eng China Clays	262	+ 7
Hestair	122	+ 8
Lex Service	237	+ 7
Locker (T.) A	28	+ 4¼
Lon. & Edin. Tst	400	+22
Maunders (J.)	150	+ 8
McFinley Lake	275	+50
Paterson Zoch.	175	+17
Phoenix Tim	110	+ 6
Ratners (Jewel.)	116	+ 8
Royal B. of Scot.	284	+10
Samuel Props.	181	+ 5
Telefusion	44	+10

FALLS

Central Norse.	380	−20
Fleet Hldgs.	365	−11
Harris. & Cros.	330	−10
Hawker Sidd.	381	−10
Hepworth (J.)	210	− 7
Kwik Save	224	− 8
Renold	61	− 5
Rockware	35	− 9
STC	74	− 4
TI	393	−14
Tesco	273	− 7
Utd News	283	− 7

U.S. QUARTERLY RESULTS

Continued from Page 23

NORTH AMERICAN PHILIPS
Electrical, electronic products

Third quarter	1985 $	1984 $
Revenue	1.04bn	1.07bn
Net profits	13.4m	32.7m
Net per share	0.47	1.14
Nine months		
Revenue	3.07bn	3.08bn
Net profits	54.6m	89m
Net per share	1.90	3.09

OWENS ILLINOIS
Glass containers

Third quarter	1985 $	1984 $
Revenue	971m	890.4m
Net profits	48.2m	38.7m
Net per share	1.61	1.31
Nine months		
Revenue	2.78bn	2.64bn
Net profits	114.6m	98.3m
Net per share	3.85	3.43

NORTHERN TRUST
Bank holding company

Third quarter	1985 $	1984 $
Net profits	10.2m	5.6m
Net per share	1.89	0.94
Nine months		
Net profits	22.8m	18.9m
Net per share	4.08	3.12

PPG INDUSTRIES
Glass, industrial chemicals

Third quarter	1985 $	1984 $
Revenue	1.09bn	1.04bn
Net profits	73.9m	76.7m
Net per share	1.11	1.10
Nine months		
Revenue	3.25bn	3.19bn
Net profits	243.7m	236.9m
Net per share	3.54	3.39

SHERWIN-WILLIAMS
Paints

Third quarter	1985 $	1984 $
Revenue	578.8m	552.5m
Net profits	29.1m	25.3m
Net per share	1.26	1.11

Nine months		
Revenue	1.67bn	1.57bn
Net profits	63.3m	55.9m
Net per share	1.75	2.43

SQUARE D
Electrical, electronic products

Third quarter	1985 $	1984 $
Revenue	371.7m	378.9m
Net profits	24.7m	37.8m
Net per share	0.85	1.31
Nine months		
Revenue	1.05bn	1.04bn
Net profits	71.8m	87.9m
Net per share	2.49	3.07

TELEDYNE
Engines, special metals, electronics

Third quarter	1985 $	1984 $
Revenue	794.5m	853.8m
Net profits	99.7m	97.5m
Net per share	8.51	8.32
Nine months		
Revenue	2.44bn	2.63bn
Net profits	447.8m	488.6m
Net per share	38.24	29.76

UNITED TELECOMMUNICATIONS
Non-Bell phone system

Third quarter	1985 $	1984 $
Revenue	828.8m	735.1m
Net profits	50.1m	82.9m
Net per share	0.51	0.91
Nine months		
Revenue	2.38bn	2.10bn
Net profits	161.8m	185.9m
Net per share	1.71	2.04

JIM WALTER
Building materials, homes

Fourth quarter	1984-85 $	1983-84 $
Revenue	627.9m	656.7m
Net profits	38.3m	33.7m
Net per share	1.75	1.55
Year		
Revenue	2.29bn	2.29bn
Net profits	111.7m	96.9m
Net per share	5.11	4.45

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 5pm, October 15

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅝	16	AAR	.56	2.4	15	32	23	22¾	23	−¼
17⅜	9¾	AGS			12	57	14⅝	14½	14⅝	+⅛
50¾	28⅛	AMR			7	3257	40⅝	39½	39½	−1
23⅝	18⅝	AMR pf2.18		9.4		12	23¼	23¼	23¼	
14¼	7⅝	APL				8	9⅞	9¾	9¾	−⅛
61⅛	34¾	ASA	2	5.2		110	38⅝	38½	38½	−¼
27	10½	AVX	.32	2.7	17	43	11⅞	11¾	11⅞	+¼
28⅛	19¼	AZP	2.72	11.	7	722	24¾	24⅜	24⅜	−½
60	38⅝	AbtLab 1.40		2.5	15	1253	56⅝	55¾	55⅞	−¼
25⅞	19⅝	AccoWd .50		2.2	17	636	23	22	23	+1¼
24¾	12¼	AcmeC .40		3.1		87	13¼	13	13	−⅛
10½	7⅜	AcmeE .32b		4.3	11	20	7½	7½	7½	−⅛
19	15½	AdaEx 1.92e		11.		124	18	17⅝	17¾	+⅛
20	13½	AdmMl .32		1.9	7	57	17¼	17¼	17¼	
17¾	8⅝	AdvSys .53t		3.7	21	147	14½	14⅜	14⅜	
37⅜	22⅛	AMD			36	4849	25⅜	24⅜	24½	−⅞
12⅞	6⅞	Advest .12		1.4	19	55	9	8¾	8¾	−¼
15⅞	10	Aerflex			12	43	14⅛	13¾	13¾	−⅜
49⅝	34⅝	AetnLf 2.64		5.7	16	2126	46¾	46	46	−¼
37⅞	22⅛	Ahmns 1.20		3.6	9	1315	33⅝	32¾	33⅝	+½
3⅝	2½	Aileen				20	2¾	2¾	2¾	
57	42	AirPrd 1.48		2.8	12	1062	54¼	53⅜	53¾	+⅛
24⅜	17½	AirbFrt .60		2.8	13	34	21¾	21¾	21¾	
2⅛	1¼	AlMoa s.10e		5.3		28	1⅞	1¾	1⅞	+⅛
29¼	23⅝	AlaP pf2.74e		9.8		20	27⅞	27⅞	27⅞	−⅛
33⅜	28¾	AlaP pfA3.92		13.		6	31¼	31¼	31¼	+¼
8⅛	6½	AlaP dpf.87		11.		25	7⅞	7¾	7⅞	+⅛
82	65¼	AlaP pf 9		11.		301	80	79½	80	+1
75	58¼	AlaP pf8.28		12.		z130	70	70	70	−1½
26⅜	12⅜	AlskAir .16		.9	7	2109	20¼	18	18⅜	−2⅛
25	12½	Alberto s .36		1.8	17	85	21⅜	20⅝	21¼	+⅜
33¼	26⅜	Albtsns .76		2.8	11	464	28½	27½	27½	−½
31¼	23¼	Alcan 1.20		4.9	25	2184	24¾	24⅜	24½	+⅛
38⅞	27⅞	AlcoStd 1.20		3.6	12	25	33⅝	33½	33½	−¼
32	21	AlexAlx 1		3.6		1100	28¼	27¾	27⅞	+⅛
30	20⅜	Alexdr			24	23	27⅛	27	27	
89½	72¼	AllgCp 1.54t		2.0		9	78	77¾	78	+½
26¾	24½	AlgCp pf2.86		11.		1	26½	26½	26½	
28¾	20¼	AlgInt 1.40		5.1		1939	28⅝	26¾	27⅜	−⅞
20¾	16⅞	AlgIn pf2.19		12.		16	18⅝	18⅜	18½	−⅛
98	85¼	Algl pfC11.25		12.		2	93½	93½	93½	−½
34⅜	28⅛	AllgPw 2.70		9.2	9	1300	29⅝	29⅛	29⅜	−⅛
23½	16¼	AllenG .60b		2.6	15	454	23	22⅜	23	+⅝
23¼	15⅞	AlldPd			11	104	17½	17¼	17½	+⅛
45	42	AldSgnn				3216	43⅞	43¼	43⅜	
66½	62	AldS pfA4.12		6.5		4	64	63½	63¾	+⅜
63	58¾	AldS pfC6.74		11.		29	59⅞	59¼	59¼	−⅜
111	106	AldS pfD 12		11.		14	106	d105¾	105¾	−¼
102⅞	101⅜	AldS pfF				2	102⅝	102⅝	102⅝	−⅛
60⅛	47¾	AlldStr 2.12		3.8	7	744	56	55⅜	55½	−⅜
9½	3¼	AllisCh				155	4	3⅞	3⅞	−⅛
29¾	22¾	ALLTL 1.84		6.4	9	98	28⅞	28½	28⅝	+⅛
39⅞	29¾	Alcoa 1.20		3.7	29	2085	33¼	32⅝	32⅝	
19⅝	11⅝	Amax .10j				716	12⅜	12¼	12¼	
38½	29¼	Amax pf 3		9.8		12	30½	29½	30½	+1¼
34	22¾	AmHes 1.10		4.0	22	1102	28⅜	27½	27¾	−½
140½	98⅛	AHes pf3.50		2.9		2	120½	120½	120½	+½
2¾	1⅜	AmAgr				106	1⅝	1½	1⅝	+⅛
23¾	16	ABakr			10	102	23¾	23¼	23¾	
70	53¼	ABrand 3.90		7.0	8	618	56⅝	55¼	55½	−½
30½	25¾	ABrd pf2.75		9.5		5	29	29	29	−⅜
116¼	56½	ABdcst 1.60		1.4	18	192	116¼	116	116¼	+⅜
30⅞	20¼	ABldM .86		3.8	14	15	23	22⅞	22⅞	−⅛
28½	20½	ABusPr .64		2.5	14	21	25¾	25½	25¾	+¼
60⅛	47½	AmCan 2.90		5.2	10	562	56	55⅛	55⅜	−⅜
25¾	22	ACan pf2.80		11.		9	25	24¾	24¾	−¼
52⅜	42	ACan pf 3		6.1		89	49¼	49¼	49¼	+¼
20⅞	17⅜	ACapBd 2.20		11.		11	20¼	20	20	−⅛
30⅞	25⅛	ACapCv 2.51e		9.6		21	26½	26¼	26¼	−⅛
11	5⅞	ACentC			39	1	5⅞	5⅞	5⅞	−⅛
57⅜	44½	ACyan 1.90		3.8	13	1073	50⅛	49½	49⅞	−⅛
27⅜	18¾	ADT	.92	3.4	26	260	27⅜	26¾	27	−⅜
24⅞	19¼	AElPw 2.26a		11	8	1122	21¼	20⅞	21	
49⅜	34¼	AmExp 1.36		3.2	15	8654	42⅞	42⅜	42⅞	−¼
25⅝	13½	AFaml s .48		2.0	15	1395	24⅜	23⅞	24	+¼
36¼	23⅝	AGnCp 1		3.3	9	1489	30⅜	30⅛	30¼	+⅛
16	7⅜	AGnl wt				520	13	12⅜	12⅞	+⅝
96½	66¾	AGnl pfB5.50e		6.8		28	81	80½	80½	+1¼
71¾	47¾	AGn pfD2.64		4.3		57	61½	60½	61½	+1¼
36⅜	28	AHerit 1.20		3.5	10	4	34¼	34	34	
13⅜	7½	AHoist				30	10⅛	10	10	−⅛
66⅞	46¾	AHome 2.90		5.0	12	3999	57¾	56⅞	57½	+⅝
47½	26¼	AHosp 1.12		2.3	16	4667	u48⅛	47⅝	47⅞	+⅜
97⅛	73	Amrtch 6.60		7.4	9	468	89¾	88⅞	89	−⅝
91	62	AInGrp .44		.5	23	991	u91¼	89⅞	90⅛	−⅜
150	114	AIGp pf5.85		3.9		1	150	150	150	
26⅝	16	AMI	.72	3.5	11	4939	20⅞	20	20⅜	−⅞
4⅞	2⅞	AmMot				293	3	2⅞	2⅞	−⅛
29	13⅞	APresd s .50		3.1	6	1302	16⅝	16	16	
13⅞	5	ASLFla			11	170	7⅛	7	7⅛	+¼
18½	12¼	ASLFl pf2.19		15.		6	15	15	15	
15⅝	11⅛	AShip .80		6.4	9	83	12¾	12¼	12½	+⅜
35⅜	26¾	AmStd 1.60		5.3	10	1381	30¾	30¼	30⅜	+¼
67½	35⅝	AmStor .64		1.0	11	798	61⅜	60¾	61	−¼
78	46⅛	AStr pfA4.38		6.0		804	73½	72¾	72¾	
58	51	AStr pfB6.80		12.		17	58	57¾	58	+½
24⅝	17¾	AT&T 1.20		5.8	15	22797	21½	20⅝	20¾	−⅞
41⅜	33	AT&T pf3.64		9.3		9	39⅜	38⅞	39⅛	−⅛
42	34	AT&T pf3.74		9.4		3	40⅛	39⅞	39⅞	−⅛
27¾	17	AWatr s 1		4.0	8	34	24⅞	24¾	24⅞	
28½	14	AmHotl 2.40		16.	6	68	15	14¾	14¾	−¼
72½	60½	ATr pr 5.64		8.3		48	67⅞	67¾	67⅞	+⅜
18	6½	ATr sc				32	12⅛	12	12⅛	−⅛
89¼	67¾	ATr un 5.64		7.1		24	80	80	80	
43	26½	Ameron 1.60		3.7	8	25	u43¾	43¼	43⅝	+⅝
50	24½	AmesD .20		.5	21	295	45	44¼	44¼	−⅜
29½	19⅞	Ametek .80		3.3	13	120	24⅛	23½	24	+⅜
28⅜	18⅛	Amfac				120	23⅜	23	23⅛	+⅛
16	4	Amfesc			3	86	4½	4⅛	4¼	
70¼	50¼	Amoco 3.30b		4.9	9	2540	68	67⅜	67½	−¼
37⅞	27½	AMP	.72	2.4	21	2231	30⅛	29⅝	30	+⅜
23	11½	Ampco .30		2.3	18	40	13¼	13	13	−⅜
23⅜	12⅜	Amrep s			11	96	22¼	21¾	22¼	+¾
36	22¾	AmStn 1.40		4.0	9	26	35¼	35	35⅛	−⅛
45¼	30	Amsted 1.60		3.9	15	143	41⅛	41	41	
4¼	1⅜	Anacmp				77	2⅞	2¾	2⅞	+⅛
24⅛	16¼	Anlog			20	1690	20	19½	19¾	+¼
27⅝	19¼	Anchor 1.48		6.1		298	24½	24⅜	24⅜	
45¼	31⅜	AnClay 1.32		3.0	32	115	44	43¼	44	+⅞
13⅞	9¾	AndrGr .24		1.8	16	6	13⅞	13⅝	13⅝	
27¼	17	Angelic .60		2.3	14	87	25⅞	25⅛	25⅞	+⅝
34⅝	22⅝	Anheus s .80		2.3	13	6059	u34¾	33⅝	34⅝	+¾
71⅛	50½	Anheu pf3.60		5.1		561	u71¼	69¾	71¼	+1¼
19¼	13½	Anixtr .28		1.7	17	56	17	16¾	16¾	+⅛
16¾	9½	Anthem .04		.3	23	52	12⅜	12¼	12¼	+½
15½	10⅞	Anthny .44b		3.0	9	1	14⅞	14⅞	14⅞	−⅛
12½	9⅞	Apache .28		2.4	11	213	11⅝	11⅜	11½	
2	½	ApchP wt				24	15-16	15-16	15-16	
19⅞	15⅛	ApchP un2.10		11.		243	18⅝	18⅜	18⅜	−¼
74¼	58	ApPw pf8.12		12.		z200	69⅝	69⅝	69⅝	+¼
34⅜	30	ApPw pf4.18		13.		3	32	32	32	
31½	27¼	ApPw pf3.80		13.		10	30	30	30	
39½	15⅝	ApplDta 1.76t		9.8	17	510	17⅞	17⅜	17⅞	+⅛
15½	8½	ApplMg			56	44	12½	12⅜	12⅜	+¼
24¾	16¼	ArchDn .14b		.7	13	1454	21½	21¼	21½	
101⅝	77	ArlP pf9.83e		9.7		z200	101	101	101	−⅝
30¾	26½	ArlP pf 3.58		12.		2	30	30	30	+¼
24⅞	14	ArkBst .60		2.5	9	343	24½	24	24¼	+¼
24¼	16	Arkla 1.08		5.3	27	2894	20½	19⅝	20¼	+¾
15-16	¼	ArlnRt				159	15-32	7-16	15-32	+1-32
15½	11½	Armada				2	11¾	11¾	11¾	+⅛
11⅞	6¾	Armco				472	8⅞	8⅝	8⅝	−¼
22½	15½	Armc pf2.10		11.		2	18½	18⅜	18⅜	−⅛
24⅛	13½	ArmsRb .48		3.4	8	23	14¼	14	14	
39¾	28⅛	ArmWin 1.30		3.8	9	547	35½	34⅝	34⅝	−⅛
34⅝	23	AroCp 1.20		4.1	10	7	29	29	29	+¼
18¼	12⅜	ArowE .20		1.5	16	110	13½	13	13¼	
30¼	16	Artra .22		1.0	132	23	22⅜	22¼	22⅜	+⅛
27	15½	Arvin s .80		3.2	9	270	25	24⅝	25	+⅛
27¾	17¼	Asarco				454	17⅝	17¼	17¼	−⅜
37	23¾	AshlOil 1.60		4.9		93	32¾	32¼	32¾	
45½	37⅜	AshlO pf4.50		9.9		5	45½	45½	45½	+⅛
44¼	35	AshlO pf3.96		9.5		23	42⅛	41⅝	41⅝	−½
35¼	24½	AsdDGs 1.40		4.1	11	429	35¼	34¼	34½	−⅜
111	79	AsdD pf4.75		4.3		126	u111½	110	110	−1
23½	16⅜	Athlone 1.60		8.3	10	1	19⅜	19⅜	19⅜	−⅛
28¾	22⅝	AtCyEl 2.58		9.8	9	639	26½	26	26¼	+⅛
64¼	42	AtlRich 4		6.3		3814	63⅛	62¾	63	
153	100⅝	AtlRc pf2.80		1.9		5	150½	150¼	150½	+½
17¾	10⅛	AtlasCp				77	10½	10¼	10⅜	−¼
29½	18¾	Augat .40		1.8	23	70	22¾	22¼	22¾	+½
54¾	35⅛	AutoDt .68		1.3	21	507	51⅛	50⅛	51	+⅝
5¼	4¼	Avalonn .05e		1.0	10	56	5½	5⅛	5⅛	
33¼	17½	AVEMC .60		1.8	16	17	u33⅝	33⅝	33⅝	+⅜
39⅜	28¼	Avery .60		1.8	13	406	33⅛	33	33	
38¼	27	Avnet .50		1.6	23	690	32½	31½	32¼	+¾
25½	17⅞	Avon 2		7.9	12	4762	25¼	24⅞	25¼	+¼
28⅜	16⅛	Aydin			18	30	21¼	21¼	21¼	−¼
		B B B								
14¼	6¾	BMC			13j	62	7¾	7⅜	7½	
35½	21¼	Bairnco .60		2.8	9	203	21¾	21¼	21¼	−½
18⅞	15	BkrIntl .92		5.8	13	529	16⅛	15⅞	16	+¼
24¾	18⅜	Baldor .36		1.7	14	180	21⅛	20⅞	20⅞	
2½	⅝	vjBaldU				143	1¾	1⅝	1⅝	
10	2⅛	vjBldU pf				2	5¼	5¼	5¼	−½
30¾	19⅛	Ball s			13	220	28¾	28⅜	28⅜	+⅛
18⅝	11⅛	BallyMf .20		1.2		810	17⅜	17	17¼	
11⅞	7⅜	BallyPk			11	46	10⅛	10	10	
23¼	18½	BltGE s1.70		8.0	8	247	21½	21¼	21⅜	−⅛
48	38½	Balt pfB4.50		10.		z10	45	45	45	
23½	15⅜	BncOne s .80		3.6	11	353	22¼	21⅞	22⅛	+⅛
5⅝	1¾	BanTex				102	2	1⅞	2	
62	46¾	Bandag 1.20		2.4	11	517	49¼	49	49	−⅛
55⅝	35½	BkBos 2.40		4.9	5	106	48⅞	48½	48¾	+¼
47½	31⅜	BkNY 2.28		5.3	7	86	43	42⅝	42⅞	+½
33½	20¾	BankVa 1.12		4.4	8	1006	25½	24⅞	25¼	+¼
22¾	12⅞	BnkAm .80		5.6		1963	14⅝	14¼	14⅜	
47	39¾	BkAm pf4.91e		12.		16	40¼	40	40	−⅜
74½	61½	BkAm pf7.83e		13.		2	62	62	62	+½
16½	13⅜	BkAm pf2.88				44	15⅜	15¼	15⅜	
32½	26¾	BkARty 2.40		8.7	12	18	27⅝	27¼	27⅝	+¼
75⅝	50⅞	BankTr 2.70		4.2	6	1567	64⅝	63¼	64¼	+1
27	21¼	BkTr pf2.50		9.7		241	26	25⅞	25⅞	
45	35⅞	BkTr pf4.22		9.5		23	44¼	43⅝	44¼	+¾
13⅞	6⅝	Banner .03e		.2	14	27	13½	13⅜	13½	
39½	19	Bard .56		1.5	14	x449	36¾	36⅛	36¼	
25	19¼	BarnGp .80		3.6	14	2	22½	22½	22½	
41⅝	25¾	Barnet s1.04		2.7	11	1155	38⅞	37⅞	38¼	−¼
29¾	16⅞	BaryWr .60		3.5	13	51	17¾	17⅛	17¼	−⅛
13⅜	6¼	BASIX .12b		1.7	9	123	7⅛	7⅛	7⅛	−¼
35⅝	23⅝	Bausch .78		2.8	15	937	28¼	27⅝	27⅞	−¼
16⅞	11¾	BaxtTr .37		2.8	67	2445	13¾	13¼	13⅜	−⅜
27½	20⅜	BayFin .20		.8		4	24¼	24¼	24¼	
34¾	25⅛	BayStG 2.60		8.3	19	27	31¾	31¼	31¼	−¼
38¾	31¼	Bearing 1		3.1	12	6	32⅞	32⅝	32⅝	−⅜
44½	27⅞	BeatCo 1.80		4.3	9	9437	42¾	41½	41⅝	−⅞
82¼	51¾	Beat pf3.38		4.3		38	78⅞	78¼	78¼	−⅞
18¼	12¾	Becor .44		3.5	51	168	13	d12⅝	12¾	−¼
58⅜	35½	BectnD 1.20		2.2	14	485	54	53¼	53⅞	
8⅝	1¾	Beker				317	2⅛	2	2	
11	3¾	Beker pf.69j				23	4¼	4⅛	4¼	
17⅜	12½	BeldnH .40		3.0	10	34	13¼	13	13⅛	−¼
37⅝	22⅛	BelHwl .56		1.5	11	261	36⅞	36¼	36¼	−¼
97	75¾	BellAtl 6.80		7.7	8	1119	88¾	87⅞	88⅛	+¼
33	25⅜	BCE g 2.28				91	30	29⅞	29⅞	−⅛
26⅛	19⅝	BellInd .32		1.3	18	25	23⅞	23½	23⅞	+½
44⅞	31½	BellSo 2.80		7.2	8	2033	39	38½	38⅝	−¼
57	41½	BeloAH .80		1.7	21	28	46⅝	45¼	46¼	−⅛
36⅜	22¾	Bemis 1		2.8	12	210	36	35¾	35⅞	−⅛
45½	27¾	BenfCp 2		4.8	10	495	42⅛	41½	41½	+1
40	31	Benef pf4.30		12.		4	36½	36½	36½	−⅝
40½	32¾	Benef pf4.50		12.		z40	39	39	39	−1
201	124½	Benef pf5.50		3.0		z10	186	186	186	+13¾
22¾	18	Benef pf2.50		11		z290	22¾	22¾	22¾	+¼
19⅞	16⅜	BenegtIn 1.20		7.0		79	17¼	17⅛	17¼	+¼
6⅛	3¼	BengtB .07j				70	4¾	4¼	4¾	−⅛
9	3⅞	Berkey				57	7¼	7⅛	7¼	
15	10⅝	BestPd .24		1.7	56	370	14⅛	14	14	
21⅛	14½	BethStl .40		2.4		1174	16⅝	16½	16½	
49⅛	37½	BethSt pf 5		12.		16	42½	42⅛	42¼	−¼
24¼	18⅝	BethSt pf2.50		12.		108	21½	21¼	21½	+⅜
40⅛	29	Beverly .32		.9	18	297	35⅜	35⅛	35¼	
26⅜	19⅞	BigThr .80		3.3	18	254	24⅜	24	24	−¼
24⅛	13⅛	Biocft n			25	35	17½	17⅜	17⅜	−⅛

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	17	PlanPt n				10	18¼	18¼	18¼	
17⅜	9½	PlanRs .20		1.2	19	286	u17½	17	17⅛	+⅛
11¾	7	Plantrn.16b		1.6	13	5	10¼	10¼	10¼	
13⅝	7¾	Playboy			12	40	8½	8⅜	8½	
28½	19½	Plessey .64e		3.2	13	1	20¼	20¼	20¼	+¼
22	11⅞	PogoPd .60		4.9	28	312	12⅛	12	12⅛	+⅛
36¼	24¼	Polarid 1		2.7	142	4515	u37	36¼	37	+¾
16½	10½	Pondrs .40		.3	33	861	14⅞	14⅝	14¾	+⅛
21½	15¼	PopTal .80		4.5		64	18	17¾	17¾	
22¾	14⅝	Portec .45e		2.7	28	32	17	16⅝	16⅝	−¼
21⅞	15½	PortGE1.80		10.	7	201	18⅞	18⅝	18¾	−⅛
24⅞	19⅝	PorG pf2.60		11.		5	23⅛	23⅛	23⅛	
35⅝	30¾	PorG pf4.40		13.		23	33⅛	32⅞	32⅞	−⅛
34⅝	30⅝	PorG pf4.32		13.		2	32½	32½	32½	−¼
38⅞	28	Potlch 1.56		4.5	14	60	35⅛	34¼	34½	−1
34	23⅝	PotmEl2.16		7.2	9	211	30⅛	29⅞	30⅛	+¼
46½	36½	PotEl pf4.50		9.7		z400	46¼	45	46¼	+¾
41¾	32¼	PotEl pf4.04		10.		203	39⅛	38⅞	38⅞	−⅛
50¼	42¼	PotEl pf4.23		8.7		300	48½	48⅜	48½	+⅛
25½	18⅞	Premi s .36		1.5	18	95	24½	24	24⅛	−¼
41¾	31⅞	Primark 2.20		5.4	8	242	41	40⅝	40⅞	+½
20⅝	14½	PrimeC			13	884	16⅞	16½	16⅝	−⅛
36¾	18½	PrimM s.09		.3	27	297	35½	34½	34⅝	+⅛
59⅞	50⅝	ProctG2.60		4.8	15	1612	57⅝	56⅞	57	−⅝
15	8	PrdRs s			28	144	14⅝	14⅛	14¼	+⅜
47¼	35½	Proler 1.40		3.6	15	5	39	39	39	
[illegible]										
38⅝	23¼	Safkln s .40		1.2	22	55	34¼	33¾	34¼	
34⅞	25⅛	Safewy1.70		5.0	8	1584	34⅛	33¾	33¾	
35	21⅞	Saga .52		2.4	10	369	22	d21¼	21¼	−⅝
23	17⅞	StJoLP1.72		8.4	7	32	20⅝	20½	20⅝	+⅛
11⅝	9⅝	SPaul 1.08		11.		31	10⅛	10	10⅛	+⅛
8⅛	3⅞	vjSalant				3	6⅞	6⅞	6⅞	−⅛
35¾	24⅛	Sallieid .16		.5	14	1406	33⅜	32¾	33	
28⅜	20⅞	SDieGs2.24		8.7	8	127	25¾	25½	25⅝	
9¾	6¾	SJuanB.90e		10.	10	145	8⅝	8⅝	8⅝	
12⅞	8⅞	SJuanR			18	5	10⅞	10¾	10¾	−¼
44	31	Sandr .60		1.8	17	211	33⅞	33½	33½	−¼
25⅜	20	SAnRt1.94		8.0	13	40	24½	24⅛	24⅛	−⅛
35⅝	23⅜	SFeSoP 1		3.1	14	2113	33¼	32¼	32⅜	−⅜
46⅛	31⅛	SaraLee1.44		3.2	13	569	45¾	45⅛	45⅛	−½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, October 15

Stock	Div	P/E	Sls 100s	High	Low	Close	Change
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Resilience around peak levels

A RALLY among blue chips on Wall Street yesterday countered the impact of profit-taking during the morning session and left a broad range of issues on a firmer bias, *writes Terry Byland in New York.*

The profit-taking was inspired by the Dow average hitting a record and came with the market appearing poised to run unchecked to its third consecutive advance.

However, sellers soon backed off, leaving the way clear for a more tentative improvement.

At the close the Dow Jones industrial average was 3.92 down at 1,350.81.

Both the Standard & Poor's 500 and the New York Stock Exchange composite index followed similar patterns, but within very narrow margins. These indices are still 4.3 per cent and 5.3 per cent respectively off their peaks. Some analysts have warned that the Dow, distorted by the takeover of General Foods, a major component, may be overstating the market.

Technology stocks opened strongly, with IBM firmer on its announcement of important innovations in product lines, and NCR still responding to trading results.

But the sector suffered in mid-morning profit-taking which left IBM $¼ off at $127¾ and Burroughs $⅝ off at $53⅞. NCR, at $34¾, was $⅝ better and Control Data at $19 held a $½ gain, as the market digested the sale of two financial divisions. Gould, a recent takeover spot, added $⅝ to $33⅞ despite lower earnings.

Gains in banks were again fuelled by excellent trading statements from major names. Citicorp, at $43¼, softened by $¼ as profit-takers moved in on news of a substantial gain in third-quarter earnings. J. P. Morgan, also reporting a strong quarter, added $¾ to $51.

Security Pacific, the star of the regional banks, eased $½ to $27⅛ after also reporting higher profits for the latest quarter.

Fellow Californian, Wells Fargo, added $¾ to $53¾ on results.

In an active consumer sector, Colgate-Palmolive rose sharply on speculative buying prompted by rumours that Unilever, the Anglo-Dutch group recently thwarted in its bid for Richardson-Vicks, might turn its attention to the toothpaste and cosmetics manufacturer, Colgate which gained $2⅛ to $29¾.

Hoover, the domestic appliance manufacturer, was suspended at $42½, after jumping $7 with more than 1m shares quickly traded as the board, rejecting the offer of $42 a share from Chicago Pacific, hinted at willingness to put the company up for sale.

Pillsbury fell back $1⅛ to $60 in the absence of a bid and Quaker Oats eased $⅞ to $56⅞. Pepsico shed $⅝ to $63¾ despite higher earnings.

Doubts over the effects of its legal tussle with Polaroid let Eastman Kodak down $1½ to $43⅛. Polaroid was $¾ firmer at $36⅝.

Features elsewhere included Upjohn, which gained $2¼ to $116½ on a sharp rise in operating profit, and Cluett Peabody was up $1¼ to $38⅝ after a private investment group offered $40 a share for the equity.

Scott Paper eased $⅛ to $42 on results, while Potlach, the lumber and plywood company, fell $1 to $34½ despite better profits. Magazine publisher Time Inc edged up $¼ to $57¼ on flat results.

Credit markets continued to wait for Senate clearance for the new Federal debt ceiling. A personal denial from Mr Paul Volcker of persistent rumours that he would quit the Federal Reserve had little effect.

Short-term rates were uneasy behind the announcement of $1.5bn customer repurchase arrangements by the Fed, which left the Federal funds rate above 8 per cent.

Bond prices remained firm, but trading was light.

EUROPE

Daimler bid dominates Frankfurt

DAIMLER'S proposed acquisition of a majority stake in AEG set trading alight in Frankfurt yesterday as foreign investors returned to inject fresh impetus.

The Commerzbank index eclipsed the record set on Monday with a 13.5 advance to 1,626.1, reflecting demand for leading stocks in all sectors.

Market attention, however, was focused sharply on the Daimler-AEG situation for most of the session as trading resumed in AEG shares after being suspended since Thursday.

Traders clearly indicated that the Daimler offer placed a new dimension on the company's worth and pushed the shares from the previous closing level of DM 165 to DM 214. This compares with Daimler's offer of DM 170

Daimler closed steady at DM 1,073 as profit-takers entered regularly to clip back rises and took advantage of Monday's sharp rise.

The takeover spilled into banks which collectively hold nearly 50 per cent of AEG's stock and stand to benefit from acceptance of the offer. Deutsche led the sector, firming DM 19 to DM 688 while Commerzbank added DM 12 to DM 256.50 and Dresdner DM 5 to DM 342.50.

In the car sector, BMW added DM 12 to DM 500 followed by VW which firmed DM 5 to DM 334 and Porsche DM 19.50 to DM 1,314. Bond prices closed up to 80pfg lower and operators continued to move funds out of the market. The Bundesbank returned as a heavy buyer, acquiring DM 156.6m worth of domestic paper compared with DM 8.1m on Monday.

Confidence generated by Belgium's centre-right coalition election victory again buoyed trading in **Brussels**, pushing the Brussels SE index to its second consecutive peak, with an 8.67 rise to 2,651.32.

The tone of trading was less hectic than on Monday and yesterday's improvement was viewed as an encouraging consolidation.

Kredietbank stood out in the banking sector with a BFr 100 advance to BFr 9,600 to match its record level.

Paris traders again displayed confidence in the face of lower September inflation figures and leading stocks held early gains in active trading.

Wall Street dictated the course of trading in **Amsterdam**, and a broad section of leading issues ended with modest gains, despite the absence of foreign buyers.

Zurich also experienced support with activity in banks and leading industrial issues boosting overall turnover.

Most noticeable among the banks were Credit Suisse, up SwFr 15 to SwFr 3,000, Volksbank SwFr 30 higher at SwFr 2,100, and Union Bank which ended SwFr 30 higher at SwFr 4,355.

Bonds closed steady on moderate turnover as the market awaited several new foreign issues in the coming weeks.

Madrid moved to a peak for the year during active business spread across most sectors of the market.

Nervousness about the stability of the Italian coalition in the wake of the cruise-liner hijack dampened trading in **Milan** and left most leading issues marginally lower.

Stockholm advanced in a reversal of the dull sessions of the past trading week.

SOUTH AFRICA

GOLDS were again firm in an otherwise mixed Johannesburg as the rand continued to weaken and the bullion price edged up.

Although late profit-taking trimmed some early gains Grootvlei closed 50 cents higher at R15, Free State Geduld added R1.25 to R62.25 and Driefontein firmed R1 to R52.

Minings and mining financials were also higher. Anglo American Corp added R1.25 to R34.50, Rustenburg Platinum was 50 cents up at R23.50 and diamond share De Beers was 45 cents higher at R13.25.

CANADA

OILS and minings led a broad advance in Toronto which traded higher in spite of losing some early gains.

Texaco Canada traded C$¼ up to C$31⅝ and Imperial Oil was C$⅝ firmer at C$50¼.

National Bank of Canada was steady at C$19 after announcing it planned to make an offer to merge with Mercantile Bank of Canada. Trading in Mercantile was halted at the opening after closing at C$10⅞.

In Montreal industrials, untilities and banks were largely unchanged.

TOKYO

Blue chips lead run to record

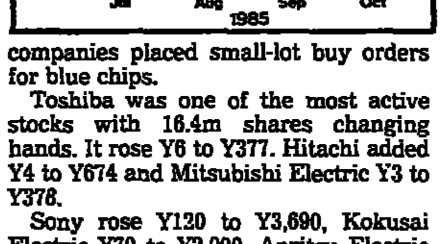
A NEW peak was reached in Tokyo yesterday for the first time in three months after overnight advances on overseas markets boosted buying interest in blue chips, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average rose for the eighth consecutive day by 38.32 to 13,055.52. The last peak of 13,040.10 was scaled on July 6. Volume increased from Monday's 354.4m shares to 433.8m. Advances outnumbered declines by 406 to 390, with 151 issues unchanged.

Large-capital stocks, such as Mitsubishi Heavy Industries and Nippon Steel, attracted heavy buying orders in early trading. There was also brisk buying of electric cables, constructions and other domestic demand-related stocks.

Later in the day investors became cautious, while noting that the Nikkei-Dow average had added more than 318 points in the seven trading days to Monday. Investors were also disappointed by the lack of fresh incentives in the domestic demand stimulation package adopted by the Japanese Government.

The market, however, accelerated near the close when investment trust companies placed small-lot buy orders for blue chips.



Toshiba was one of the most active stocks with 16.4m shares changing hands. It rose Y6 to Y377. Hitachi added Y4 to Y674 and Mitsubishi Electric Y3 to Y378.

Sony rose Y120 to Y3,690, Kokusai Electric Y70 to Y2,000, Anritsu Electric Y40 to Y1,920 and Canon Y40 to Y1,150.

But Fujitsu came under small-lot selling pressure on prospects that its profit in the year ending March next year would decline 20 per cent from the previous year in the wake of falling semiconductor demand. Fujitsu closed Y30 lower at Y1,010.

Large-capital stocks eased after a strong start. Mitsubishi Heavy Industries topped the active list with 36.1m shares traded, but finished at Y458, off Y2. Tokyo Electric Power shed Y30 to Y2,610, while Nippon Steel, with 23.3m shares traded, rose Y1 to Y192.

Domestic demand-related issues shed early gains, with Mitsui Real Estate Development losing Y50 to Y1,090 and Kajima Y3 to Y550. Nippon Express fell Y11 to Y688.

Issues which stand to benefit from increased capital spending by electric power companies attracted buying interest. Sumitomo Electric Industries jumped Y41 to Y831 and Showa Electric Wire and Cable Y17 to Y392. Among biotechnology issues, Kanegafuchi Chemical Industry jumped Y36 to Y481.

Bond prices firmed in thin trading. The yield on 6.8 per cent government bonds, falling due in December 1994, dipped from 5.555 per cent the previous day to 5.545 per cent.

SINGAPORE

THIN trading and profit-taking left Singapore lower again and the Straits Times industrial index fell 3.17 to 746.46.

During the day prices moved erratically, but by the close gains and falls were about even after some speculative buying.

Among actives KL Industries added 10 cents to S$1.79, Sime Darby closed 1 cent higher at S$1.81 and Raleigh was 14 cents firmer at S$3.76.

Finance shares were slightly higher with DBS and Malayan Banking both 5 cents up at S$5.50 and S$5.70 respectively.

Industrials were mixed and included Singapore Press, up 5 cents to S$6.05 and Cold Storage which shed 12 cents to S$2.88.

HONG KONG

INSTITUTIONAL and overseas buying gave a last-minute push to Hong Kong and the Hang Seng index closed 8.54 higher at 1,602.89, after fluctuating narrowly for most of the day.

Market leaders included Cheung Kong, which added 10 cents to HK$18.70, Hang Seng Bank, up 25 cents at HK$42.25, Swire, which firmed 20 cents to HK$25.20, and Jardine Matheson, which was 30 cents up at HK$12.70.

Hongkong and Shanghai Bank, at HK$7.10, and Hutchison Whampoa, at HK$25.70, were steady.

LONDON

Speculatives steal the spotlight

INTEREST switched to speculative issues in London yesterday, pulling equities down from the peaks reached on Monday.

Although some of the sparkle went out of the market, activity was maintained by talk of takeovers, rumoured and real. The FT Ordinary index ended 4.9 down from Monday's record at 1,023.9.

Among actives Allied Lyons closed 5p down at 270p ahead of Elders XL's announcement next Monday on whether or not it intends to proceed with a formal offer for Allied Lyons.

Bid situations also affected Telefusion, up 10p to 44p, and Brook St Bureau, which firmed 19p to 170p.

Lloyds Bank closed 6p up at 428p after strong rumours that it had sold its stake in Royal Bank of Scotland, up 10p to 284p.

Elsewhere British & Commonwealth Shipping firmed 13p to 307p and European Ferries was unchanged at 140p.

The underlying tone of government securities remained steady to firm with quotations at the short end of the market a fraction harder. Medium and longer-dated stock settled around ⅛ better on the day.

Chief price changes, Page 43; Details, Page 43; Share information service, Page 41–42.

AUSTRALIA

A WIDENING trade deficit in September and a technical correction to a run of record-setting sessions combined to take Sydney lower.

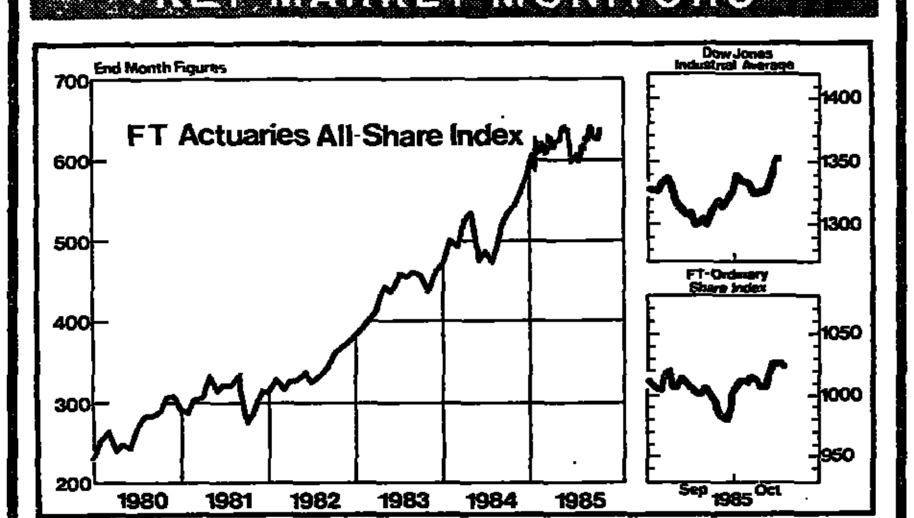
The All Ordinaries index closed at 1,030.8, 5.7 down from its all-time high the day before.

National turnover was 53.7m shares, compared with 47.9m on Monday, and falls outnumbered gains by 275 to 199.

Among actives BHP shed 10 cents to A$8.74, Bell Group was down 20 cents at A$11.40, CSR lost 5 cents to A$3.70 and Western Mining was 30 cents lower at A$3.77.

In contrast MIM and CRA both added 10 cents to A$2.56 and A$5.94 respectively.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Oct 15	Previous	Year ago
NEW YORK			
DJ Industrials	1,350.81	1,354.73	1,202.96
DJ Transport	658.82*	660.58	519.54
DJ Utilities	154.24*	154.34	141.57
S&P Composite	186.08*	186.37	165.77
LONDON			
FT Ord	1,023.9	1,028.8	866.6
FT-SE 100	1,320.9	1,321.2	1,146.0
FT-A All-share	643.00	643.71	531.76
FT-A 500	703.99	705.34	576.19
FT Gold mines	299.9	294.6	549.9
FT-A Long gilt	10.18	10.17	10.37
TOKYO			
Nikkei-Dow	13,055.52	13,017.29	10,780.20
Tokyo SE	1,042.20	1,039.90	863.75
AUSTRALIA			
All Ord.	1,030.8	1,036.5	753.1
Metals & Mins.	530.0	528.2	454.1
AUSTRIA			
Credit Aktien	100.82	100.16	56.26
BELGIUM			
Belgian SE	2,651.64	2,642.65	–
CANADA	Oct 15	Prev	Year ago
Toronto			
Metals & Minls	1,850.10*	1,836.79	1,990.0
Composite	2,629.3*	2,618.1	2,404.1
Montreal			
Portfolio	127.36*	126.81	118.23
DENMARK			
SE	231.46	231.12	168.25
FRANCE			
CAC Gen	211.5	209.3	181.4
Ind. Tendance	119.4	118.1	96.4
WEST GERMANY			
FAZ-Aktien	559.56	554.37	370.27
Commerzbank	1,639.6	1,626.7	1,078.9
HONG KONG			
Hang Seng	1,602.89	1,594.35	999.09
ITALY			
Banca Comm.	398.81	404.27	210.28
NETHERLANDS			
ANP-CBS Gen	214.4	212.4	179.5
ANP-CBS Ind	188.5	186.7	141.3
NORWAY			
Oslo SE	375.39	372.53	258.23
SINGAPORE			
Straits Times	746.46	749.63	858.79
SOUTH AFRICA			
JSE Golds	–	1,083.3	1,003.8
JSE Industrials	–	979.6	861.7
SPAIN			
Madrid SE	120.57	118.54	107.74
SWEDEN			
J & P	1,354.05	1,343.61	1,453.57
SWITZERLAND			
Swiss Bank Ind	487.7	487.1	373.9
WORLD	Oct 14	Prev	Year ago
Capital Int'l	227.2	225.5	181.8

GOLD (per ounce)

	Oct 15	Prev
London	$327.25	$327.00
Zürich	$327.35	$326.65
Paris (fixing)	$327.60	$327.37
Luxembourg	$326.95	$327.00
New York (Dec)	$329.2	$329.80

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Oct 15	U.S. DOLLAR Previous	STERLING Oct 15	STERLING Previous
$	–	–	1.413	1.4135
DM	2.6615	2.6615	3.76	3.7625
Yen	215.5	215.4	304.5	304.5
FFr	8.115	8.11	11.465	11.465
SwFr	2.1835	2.181	3.085	3.0825
Guilder	3.0	3.0	4.24	4.24
Lira	1,795.0	1,794.0	2,536.0	2,536.25
BFr	53.85	53.85	76.1	76.1
C$	1.37	1.3685	1.9369	1.934

INTEREST RATES

	Oct 15	Prev
Euro-currencies (3-month offered rate)		
£	11⁹⁄₁₆	11⁹⁄₁₆
SwFr	4¹¹⁄₁₆	4⅝
DM	4¹¹⁄₁₆	4¾
FFr	10⁷⁄₁₆	10½
FT London Interbank fixing (offered rate)		
3-month U.S.$	8¼	8¼
6-month U.S.$	8⅜	8⅜
U.S. Fed Funds	8¹⁄₁₆*	7¹⁵⁄₁₇
U.S. 3-month CDs	7.9*	7.9
U.S. 3-month T-bills	7.19*	7.175

U.S BONDS

Treasury		Oct 15* Price	Oct 15* Yield	Prev Price	Prev Yield
9	1987	100⅛₂	8.924	100⅜₂	8.94
10⅞	1992	100²⁰⁄₃₂	10.177	100²⁷⁄₃₂	10.21
10½	1995	101⅛₂	10.315	100³¹⁄₃₂	10.34
10⅝	2015	100¹⁵⁄₃₂	10.566	100⅞₂	10.61

Corporate	Oct 15* Price	Oct 15* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	100⅛	10.35	100⅛	10.35
3⅞ July 1990	82¾	8.55	81¾	8.65
8¾ May 2000	83⅞	11.10	83¾	11.00
Xerox				
10⅞ Mar 1993	98.85	10.85	98⅞	10.95
Diamond Shamrock				
10⅜ May 1993	96⅝	11.30	96⅝	11.30
Federated Dept Stores				
10⅞ May 2013	93⅞	11.35	93⅞	11.35
Abbot Lab				
11.80 Feb 2013	102½	11.50	102⅞	11.45
Alcoa				
12¼ Dec 2012	99½	12.30	99⅛	12.35

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	75–14	75–17	75–09	75–13
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.78	92.80	92.76	92.76
Certificates of Deposit (IMM) $1m points of 100%				
Dec	91.96	91.98	91.96	91.96
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.67	91.69	91.66	91.65
20-year Notional Gilt £50,000 32nds of 100%				
Dec	113–14	113–20	113–13	113–16

COMMODITIES

(London)	Oct 15	Prev
Silver (spot fixing)	442.80p	440.40p
Copper (cash)	£969.50	£977.00
Coffee (Nov)	£1,644.50	£1,624.00
Oil (spot Arabian Light)	$27.75	$27.75